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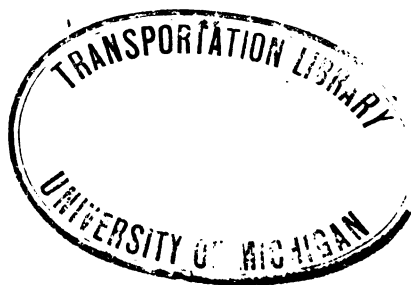
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STATE OF NEW YORK

PRELIMINARY REPORT

OF THE

Superintendent of Public Works on the Canals of the State

For the Year Ended December 31, 1920



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PRELIMINARY REPORT OF THE SUPERINTENDENT OF PUBLIC WORKS

STATE OF NEW YORK

OFFICE OF SUPERINTENDENT OF PUBLIC WORKS

ALBANY, *January 3, 1921.*

To the Honorable, the President of the Senate, and to the Honorable, the Speaker of the Assembly:

SIRS.—I have the honor to present to you herewith, in accordance with the provisions of the Canal Law, a report of the trade and tonnage transported upon the State canals during the season of navigation of 1920; with a statement of the condition of the waterways and the work and improvements connected therewith.

There is also presented the financial report of the department, setting forth the amount of moneys received and expended during the year.

Recommendations as to desired legislative action regarding matters connected with the canal are made and the affairs of the State with relation to its waterways are generally discussed.

EDWARD S. WALSH,
Superintendent of Public Works.

PRELIMINARY REPORT

OFFICE OF THE SUPERINTENDENT OF PUBLIC WORKS

ALBANY, January 3, 1921.

To the Honorable, the President of the Senate, and to the Honorable, the Speaker of the Assembly:

SIRS.—Pursuant to the provisions of Chapter 13 of the Laws of 1909, known as the Canal Law, I present herewith a report of the trade and tonnage of the canals of the State during the season of navigation of 1920; as to the condition of the canals and the work and improvements connected therewith; and an account of the moneys received and expended during the year.

There will also be found in the report a discussion of matters coming under the jurisdiction of the department, with recommendations as to action which seems desirable, all of which I respectfully submit for your consideration.

SCOPE

I give you below a list of the various topics discussed:

Trade and Tonnage:

- Season's traffic.
- Distribution and flow of traffic.
- Classification of traffic.
- Comparison of traffic with 1919.
- Analysis of traffic.

Transportation Facilities:

- Number, type and ownership of boats in service.
- Common carrier service.
- Private operations.

Government Canal Operations:

- Efforts to compel discontinuance.
- Federal movement of traffic.

Canal Traffic Bureau:

- Activities of traffic bureau.
- Canal freight rates.
- Possibilities of future business.
- Industrial development.
- Rail-canal interchange facilities.

State Canal Towing:

- Results of season's operations.
- Recommendations for future

St. Lawrence Canal Project.

Navigation:

- Conditions prevailing in 1920.
- Channel lights and buoys.

Canal Terminals:

- Location and equipment of New York City terminals.
- Terminals outside New York City.
- Organization for maintenance and operation of terminals.
- Charges for use of terminals.
- Suggested amendments to Terminal Act.
- Revenue secured.
- Rules and regulations.

Additional Improvements Desirable in Connection with New Canal and Its Terminals:

- Construction of two grain elevators authorized.
- Additional terminal equipment authorized.

Equipment for Maintenance and Operation:

- Floating plant.
- New repair shops.
- Dry docks.
- Equipment for lock protection.

Important Canal Repairs Progressed:

- Schenectady-Scotia bridge.
- Acquisition of toll bridge between Schenectady and Scotia.
- Hudson bridge.
- Improvement of approaches to Hudson bridge.
- Congress Street bridge between Troy and Watervliet.
- Twelfth Street bridge between Troy and Cohoes.
- Condition of canal bridges.
- Glens Falls feeder.
- Improvement of Fulmer creek.
- Improvement of Limestone creek at Fayetteville.
- Oneida feeder improvement.
- Griffin creek improvement.
- Black River canal improvement.
- Preservation of Guy Park House.

Contracts Advertised and Awarded:

- Barge Canal construction work.
- Terminal construction work.
- Under special legislative acts.

*Ditching.**Old Erie Canal from Rome to Mohawk.**Use of Surplus Canal Waters for Power Purposes.**Federal Jurisdiction Over Navigation of the State Canals.**Ice Gorges In the Hudson River.**Necessary Elements of Efficient Canal Management:*

Skilled and permanent force required.

Application of Civil Service principles.

Civil Service policy should be continued and extended.

Term of office and method of appointment of Superintendent of Public Works.

Previous methods of administration.

Office of Superintendent of Public Works created.

Term of office brief and indefinite.

Successful administration handicapped.

Recommendations.

*The Prize Lock.**Bureau of the Inspection of Steam and Motor Vessels Under the Navigation Law.**Bureau of Appraisal and Claims.**Additional Duties of Superintendent of Public Works.**Moneys Collected.**Retirement of Officers and Employees of the State.**Conclusion.*

TRADE AND TONNAGE

SEASON'S TRAFFIC

The 1920 season of navigation on the State waterways closed with an aggregate tonnage transported of 1,421,434 tons, an increase of 182,590 tons over 1919, or about 15 per cent. The traffic was distributed over the several divisions of the system in the following proportions:

<i>Divisions</i>	<i>Tonnage</i>
Erie	891,221
Champlain	485,598
Cayuga-Seneca	36,936
Oswego	3,959
Black River	3,720

DISTRIBUTION AND FLOW OF TRAFFIC

The year's commerce was distributed by class and direction as follows:

	Erie	Cham- plain	Cayuga- Seneca	Oswego	Black River
East	364,205	378,173	36,936	3,509	3,680
West	527,016	107,425	.....	450	40
Through	327,945	307,389	5,576	2,359	.....
Local	563,276	178,209	31,360	1,600	3,720
Through east	200,798	230,046	5,576	2,359	.....
Through west	127,147	77,343	.....	.....	.....
Local east	163,407	148,127	31,360	1,150	3,680
Local west	399,869	30,082	.....	450	40

CLASSIFICATION OF TRAFFIC

Itemized tables showing the total tonnage by specific commodities are incorporated elsewhere in this report. Herewith there is shown the season's business by general headings:

<i>Classification</i>	<i>Tons</i>
Products of Manufacture	325,426
Products of Animals	89
Products Miscellaneous	26,492
Products of Agriculture	226,291
Products of Forest	248,930
Products of Ground	594,206

COMPARISON WITH 1919

The increase or decrease for the 1920 season was reflected in the groups covering manufactured and miscellaneous products more than in any other. The manufactured products traffic shows an increase of 122,119 tons over 1919 and the miscellaneous products decreased 37,447 tons. By divisions it will be observed that the traffic on the Erie Division advanced 49,057 tons or 5.8%. The Champlain tonnage increased 121,899 tons or 33.5% and the Cayuga-Seneca business gained nearly 25,000 tons or nearly 300%. Both the Oswego Division and the Black River Canal showed a decrease of 11,929 tons and 1,121 tons respectively.

The increase or decrease in tonnage by the six main groups was:

<i>Classification</i>	<i>Gain</i>	<i>Loss</i>
Products of Manufacture	122,119	.....
Products of Animals . . . . .	.....	697
Products Miscellaneous . . . . .	.....	37,447
Products of Agriculture	41,392	.....
Products of Forest	54,123	.....
Products of Ground	3,100	.....
	=====	=====

The increase or decrease of the principal specific commodities was:

<i>Commodities</i>	<i>Increase</i>	<i>Decrease</i>
Iron, pig and bloom	25,774	.....
Petroleum and products	48,711	.....
Cement	2,908	.....
Salt . . . . .	.....	4,956
Sugar	20,528	.....
Paper and paper products	2,108	.....
Chemicals	12,955	.....
Miscellaneous manufactured products	32,793	.....
Ice . . . . .	.....	39,662
Wheat	42,358	.....
Oats . . . . .	.....	51,376
Rye . . . . .	.....	5,772
Barley . . . . .	.....	11,421
Flour	11,332	.....
Hay	6,418	.....
Flaxseed	44,352	.....
Lumber	25,774	.....
Pulpwood	55,368	.....
Anthracite coal . . . . .	.....	29,102
Iron ore	90,349	.....
Sand, stone, gravel . . . . .	.....	48,556
	=====	=====

ANALYSIS OF TRAFFIC

When the season opened this year, there was every evidence that a record tonnage would be carried. In fact, for the first four weeks of navigation, the traffic increased over 1919 by nearly 100%. Practically every boat to be had was loaded and cargo booked far in advance. After the boat supply was exhausted, however, a slump naturally resulted until the loaded boats could complete their trips and were again available for cargo. Traffic was brisk up to about the first week of August, the increase at that time over 1919 aggregating about 25%. From the first of August until the latter few weeks of the season the situation was very quiet. Railroad transportation conditions were greatly improved and rail service, in view of the high canal rates in effect explained elsewhere in this report, was utilized by many in preference to the waterway. Furthermore, there was a general business depression. Production had been curtailed and traffic was not moving by either the rail or water routes in the volume it did earlier in the year. The peak of the canal business was reached during the month of July when 268,080 tons were transported. The heaviest week was the first week in July when 63,354 tons moved over the canals. I am somewhat disappointed in the year's showing having anticipated a heavier tonnage, nevertheless, many conditions contributed to hold down the volume of many commodities and certain factors operated against the best interests of the waterway. Examination of the statistics of trade and tonnage, however, shows that splendid increases were registered in many items and other commodities have regained in some measure losses sustained in 1919 and previous years. As was the case last season, traffic of the higher class grouped under the heading of "articles of manufacture," show the largest increase. I consider this a most encouraging result. It is ample evidence that canal carriers are not dependent on the low grade freights alone for their cargo and that the high class traffic, yielding a more profitable revenue, is to be had in equally as great volume as the coarse freights.

Typical of the new business in commodities of the higher class was the development of export package freight from Rochester. A weekly service was inaugurated from this port and considerable

quantities of photographic apparatus, optical goods, machinery and products of a like nature were moved via the waterway to New York for export. This was the first instance of the movement of export package freight in any volume via the canals.

The grain business, while an increase was shown in the aggregate tonnage, was the most disappointing. In view of the bumper grain crops the country had produced, every reason existed justifying the expectation an exceedingly heavy movement of grain, particularly wheat, would result. The contrary developed. As the season got under way, it was observed the grain receipts at the Port of Buffalo by lake were very light. In fact, up to the first of September, the port was 24,458,622 bushels behind the corresponding period of 1919. Investigation revealed such condition was largely due to the acute car shortage existing in the grain country. It was not until the late Fall that an adequate car supply was available for movement of grain to the upper lake ports and this movement was not reflected in the Buffalo receipts until almost the close of the season. The fact that the canal grain tonnage for October and November almost exceeded the total of the preceding months of the season is indicative of the situation. Moreover, the grain market declined sharply and those who had bought at the high market were more concerned with quick deliveries, enabling them to turn over their capital with the minimum of loss, than in saving a few cents per bushel in transportation charges. Therefore, a rail movement was favored as against the canal from Buffalo. Another condition of even greater effect, however, was the preferential rail rates in effect from Missouri River territory to Gulf ports. This matter is treated with in detail in another section of this report. It should be understood that the greatest surplus of domestic exportable grains was in Kansas and Nebraska. Ordinarily the bulk of this commerce would have moved via rail and lake through Chicago or Milwaukee to Buffalo and be available for canal movement from Buffalo. A mal-adjustment of rates, however, preferred the Southern all rail route and the bulk of the Missouri River crop was diverted from the rail and lake route and from the Atlantic ports to Gulf ports.

The total through traffic on all divisions showed the greatest percentage of increase. This was apparent to a greater degree

on the Champlain Division than on the Erie. The through traffic increased 30% on all canals and 33% on the Champlain. The splendid increase in the Champlain iron ore traffic of 90,349 tons or over 200% contributed most to this result, although the lumber and pulpwood tonnage on the Champlain Division which declined in 1919 was restored to proportions exceeding the totals of several preceding years.

The flow of traffic was well balanced on the whole east and west. This is a healthy condition as the absence of westbound tonnage had been a matter of much concern in recent years. Solicitation and resumption of imports have corrected the situation and henceforth it may be expected a two-way haul will control.

The commodities showing the largest decreases were coal, ice, oats, barley and sand, stone and gravel. The slump in the grains has been explained. The decrease in the building material tonnage was due to a cessation of building and road-making activities. Most of the ice handled on the canal moves from the lower Mohawk and upper Hudson territory. In the 1918 Winter, when the lower Hudson River crop was light, a demand was created making for a heavy movement from the Mohawk and upper Hudson territory. Last year the Hudson crop was heavy, consequently little ice moved from canal waters. The light coal tonnage resulted from decreased production at the mines. This condition was general throughout Atlantic seaboard territory but I consider it only temporary. The future holds great promise for a restoration of a heavy coal traffic to the canal. The increase in rail freight rates will drive much coal traffic to the water routes and with the development of adequate coal terminal facilities along the waterway now in contemplation by the State, the Barge Canal will participate in a greater degree than did the old Erie Canal in the traffic of fuel consumed in canal territory.

The excellent increase in tonnage on the Cayuga-Seneca Division was made up almost entirely of cement from Cayuga Lake and salt from Seneca Lake. Indications point to an annually increasing tonnage in such commodities from these sources.

The decline in the Oswego Division tonnage resulted from high rates and heavy business on the main line. In 1919 considerable

quantities of trap rock were moved to Oswego via canal. This year the rates demanded proved prohibitive and little tonnage in this commodity was carried. Furthermore, such other business as was available on the Oswego Division was neglected by canal carriers because the Erie Division business presented more attractive earning possibilities and the opportunity for a loaded haul in both directions was greater on the Erie than on the Oswego.

I do not believe much success will be had in increasing traffic on the Black River Canal unless and until the shipping interests in the territory provide the necessary boating equipment. The Black River Canal accommodates boats of 100-ton burden only and almost all boats of this type that remain in service have been purchased by industries for private operation on the Erie Division. It is believed traffic justifying the maintenance of the Black River Canal can ultimately be developed but the shippers of the territory are confronted with the lack of carrying equipment and a carrying organization. A co-operative movement among those interests to acquire the necessary transportation facilities, I believe is the only solution of the problem.

The years 1918, 1919 and 1920 have marked the turning point in canal traffic. An average annual decrease of approximately 15% was arrested in 1918 and but a 9% decrease was shown that year. The season of 1919 produced an increase of 7% over the preceding year and 1920 surpasses the 1919 record by 15%. In a sense, therefore, the total gain since the new waterway came into use is about 30%, and with this start, accomplished during a period of the Nation's history fraught with difficulties and obstacles that were not easily overcome, I predict a constantly increasing annual traffic. In my judgment the next five years will witness the restoration of a water-born commerce through the State between the Niagara Frontier and tidewater that will eclipse even the wonderful achievement of the original Erie Canal. Inland waterway transportation generally is coming into more and more favorable regard throughout the country. The shipping public is returning to first principles. The transportation instrumentalities that contributed more than any other factor to the building up of the country in the early days — the natural water courses — have again come to be considered by straight thinking men as invaluable assets and facilities deserving of utilization and

development. An unwavering policy of modernizing these facilities on the part of Federal and State Governments offers, in my opinion, the final solution of our great transportation problem.

TRANSPORTATION FACILITIES

NUMBER AND TYPE OF BOATS IN SERVICE

The barge registration record of the department shows there were 1,115 boats of all descriptions, exclusive of tug boats, at one time or another engaged in trade on the canals. Of this number 367 navigated the Erie, Oswego and Cayuga-Seneca Divisions during the 1920 season; 381 traded on the Champlain Division; 50 carried freight on both the Erie and Champlain branches and 317 were inactive or occupied outside of canal waters. The majority of the latter group were employed in New York Harbor. Comparison with the record of the 1919 season reveals that the Erie Division gained 55 boats in 1920, whereas the Champlain was navigated by 34 less barges than in 1919.

For the most part the barges utilized were of the so-called "old type," although quite a few new barges made their appearance in 1920. The majority of the barges were owned and operated by individuals, only about one-third of the total number operating under the ownership of transportation companies.

The following statement shows the various types of craft navigating the canals in 1920, likewise the ownership by three groups:

	Transportation		
	Individuals	Companies	Industries
Old type, 240-ton barge, wood.....	709	113	30
Old type, 100-ton barge, wood.....			28
Old type, 150-ton steamer, wood.....	8	16	2
Old type, 90-ton packet, wood (inactive) ..	10		
New type, 500-ton barge, wood.....	72	23	
New type, 350-ton steamer, wood.....		1	
New type, 650-ton barge, steel.....		51	
New type, 350-ton steamer, steel.....		20	
New type, 500-ton barge, concrete.....		21	
New type, 300-ton packet, wood.....			3
New type, 400-ton barge, steel.....		8	
New type, 650-ton tank barge, steel..			10
	<u>789</u>	<u>253</u>	<u>73</u>

The activity of the barges in service was as follows:

	Erie	Champlain
Total trips	3,342	2,562
Total trips, light	1,219	1,077
Total trips, loaded	2,127	1,485
Total miles	595,427	133,939
Total miles, light	135,441	54,631
Total miles, loaded	459,986	79,308
Average miles per trip	178.1	52.2
Average days per trip	7.09	4.4
Average miles per day	25.07	11.8

As against the 1919 season, the operations of 1920 show much greater use was made of available boats. The number of trips made appreciably increased; so too, did the boat mileage. On the Erie Division the average trip mileage decreased, whereas on the Champlain Division it increased. This was due to the increase in the intermediate port traffic on the Erie Division which created shorter hauls and the increase of the long haul or through traffic on the Champlain Canal. Although some criticism was heard during the year of the length of time boats were in transit, the record shows but little change in the averages of 1919 and 1920. The relation of light and loaded movements to the total movement changed for the better and it will be observed by comparison with 1919 that during 1920 barges were in cargo for a greater percentage of trips made. On the whole, the season's activities were fairly efficient and with the introduction of adequate power units for towing purposes, I believe no difficulty will be experienced by operators in regularly making the trip between Buffalo and New York in five days' time, at the most.

SUSPENSION OF RESTRICTIVE REGULATIONS

For a great many years a departmental regulation had been in effect restricting the type of boat permitted to navigate canal waters to craft with rounded bow. Also a regulation prohibiting craft without rudders was in effect.

In the early months of the season when traffic was unusually heavy and the boat supply short of trade demands strong represen-

tations were made to me by interests owning and operating barges of the Hudson River deck scow type and the New York Harbor box type that the suspension of the regulations denying barges of such type the privileges of the canals would operate to relieve the boat shortage and contribute to a greater canal tonnage.

Subsequent to a hearing at which experienced barge operators gave it as their opinion no harm would come to the canal structures by the entrance of square bowed craft into the canal, and after determining that there was some business that could be handled by such type of boat, with the consent of the Canal Board, I suspended the application of the regulations in question and the canal has been navigated during 1920 by any and every boat whose measurement was such as to come within canal clearance limits. No damage or injury whatever was sustained and the only difficulty experienced was in the towing of boats of the type and size making their appearance on the canal after the regulations were suspended.

I believe the experience of 1920 justifies the permanent suspension of the regulations in question. It is my opinion no restrictions should be placed on shippers or carriers relative to the type of barge they may operate on the canals and I am convinced the opening of the door to the deck scow type as well as the box type barge will gain for the waterway much tonnage that heretofore has been declined. I recommend the repeal of the regulations imposing restrictions against boats of any type.

COMMON CARRIER SERVICE

The transportation organization of 1919 was supplemented during the 1920 season of navigation by the advent of four additional carriers; an extensive expansion of another and the broadening of the scope of the service of a sixth.

The most important event in the development of the common carrier service was the entrance of the Transmarine Corporation into the field. While late in inaugurating its service and although only a negligible factor in the 1920 operations the consummation of the plans this company have in mind and the completion of its construction program will place it in the front ranks of canal carriers and it should be a formidable factor in the business of the future. The Transmarine Corporation is a subsidiary of the Submarine Boat Corporation, the latter company

operating a shipbuilding plant on Newark Bay. In connection with its shipbuilding activities there has been developed by this company on Newark Bay, which is an integral part of New York harbor reached through the Kill von Kull from New York Bay, what is known as Port Newark Terminal. Here there is a modern layout of docks and warehouses, where direct shipside delivery from canal barge to ocean vessel or vice versa is accomplished. The Transmarine Corporation is primarily an ocean vessel operating organization and the canal activity of this corporation is supplemental to its ocean service. Eight 400-ton steel barges, 100 feet in length and 22 foot beam, have been placed in service and 36 additional are to be built. It is understood the fleet of 44 barges with the necessary complement of power units will be in service during the 1921 season of navigation. The company owns and operates a private terminal in Buffalo and proposes initially to render a general and bulk cargo service between Buffalo and New York City; Jersey City, Newark, and Port Newark, N. J. The permanency of the operations of this company as well as the efficiency of its service is guaranteed by the substantial nature of its principals. The entrance of the corporation into the canal transportation business is the first evidence of big business recognizing the opportunities for profitable operation offered by the waterway and is welcomed by shipping interests.

The Inland Marine Corporation of New York, operating heretofore as the Shippers' Navigation Company, Inc., is at present the largest single factor in the canal transportation business. During the last year, this corporation underwent reorganization and added considerable equipment to its fleet. It owns and operates at the present time 8 steamers and 53 consorts of the so-called "240-ton" type. The service rendered by this company is largely confined to the through New York-Buffalo trade, although it participated to some extent in the intermediate port business last year. This carrier had a very prosperous and successful season and its management is exceedingly optimistic as to the future. While a relatively small line, it has had four years' operating experience, has passed through the experimental stage and now conducts its operations on a sound, efficient and profitable basis. One steamer of the line established a splendid record

during the summer, traversing the route between Buffalo and New York towing five loaded consort for an aggregate of 6,254 miles and a tonnage of 15,675 net tons. Several other steamers of the company established a mileage record for the season of more than 5,000 miles each and it is believed such performance is nearly double in efficiency that of any other canal carrier. The company carried over 90,000 tons during the season.

The New York & Western Canal Line, Inc., of New York, a company of many years' standing, although of late years inactive in the canal business, resumed activities and operated a considerable number of barges under charter. This line engaged in the bulk and general cargo traffic and although relying entirely on the State towing service for the movement of its boats succeeded in inaugurating a merchandise service that met with general satisfaction.

The Murray Lighterage and Transportation Company, Inc., of New York, and M. and J. Tracy, Inc., of New York, are large operators of barge equipment in New York harbor and adjacent waters. Both companies placed barges in the canal trade during the 1920 season of navigation, operating in a small and somewhat experimental way. It is believed their efforts were rewarded with success and it is expected both interests will continue permanently in the field.

The Marine Express Company of New York was a new venture and while many obstacles and difficulties were encountered by its management arising largely from inexperience in canal operation, reasonable success was achieved and the experience gained during the 1920 season should enable the company to conduct its operation in the future in an efficient and profitable manner.

The Lake Champlain Transportation Company of Whitehall, N. Y., continued in business, confining its operations to the Champlain Division of the system. An excellent tonnage was developed on the Champlain branch during the season and the company participated in the traffic to a great extent. This line owns or operates under charter a considerable proportion of the barges trading on the Champlain Division.

The New York Canal Section, Inland and Coastwise Waterways Service, War Department, as the government fleet operating

on the canals are officially designated, also maintained a service. The operations of this carrier are treated with in detail in another section of this report.

In addition to the organized lines there were a large number of barges, approximately 200, individually owned and operated, that were engaged in carrying freight. These boats were either under charter to operating companies or industrial concerns, or traded independently, acquiring cargo through freight brokers or forwarders.

To sum up, every interest with the exception of the government line, experienced a profitable season. Barge owners found no trouble in acquiring cargo and keeping busy; in fact, at intervals the cargo offerings at some ports were greatly in excess of available barge capacity.

PRIVATE OPERATIONS

The season of navigation of 1920 marked the first entrance of a considerable number of industrial concerns into the field of canal transportation. Also the department has furnished advice and counsel to other industries who contemplate purchasing or building barges and power-boats for canal service. While the operations of some of the newcomers were conducted on a small scale, their experience is understood to have been satisfactory and a continuance of their operations in succeeding years on a broader plan may be expected. Those corporations who had heretofore operated barges in a private service continued their activities and with increased satisfaction, efficiency and profit. The development of this character of service is perhaps the most encouraging of the season's results. I have long held the opinion that if private capital did not soon inaugurate a common carrier transportation service on the waterways, of a nature suiting the requirements of the traffic created by the large industrial enterprises of the State, such industrial establishments would themselves provide facilities whereby the advantages and economies of canal shipping would be available to them. The very appreciable increase in the number of industrial concerns operating barges on the waterway throughout the 1920 season bears out my conviction, and I believe a splendid beginning in the building

up of a private industry canal transportation organization that ultimately will contribute in no small measure to the success of the canals has been made.

The corporations continuing operations in 1920 were the General Electric Company; the Standard Oil Company; the Ore Carrying Corporation; the Glens Falls Portland Cement Company and one or two lesser concerns.

The General Electric Company of Schenectady retained in service its fleet of three packet barges, operated in 1918 and 1919, and added a large high powered tug-boat to its canal equipment. The canal operations of this corporation may now be safely said to have passed through the experimental stage and are on an efficient and profitable basis. As expressed by the official of the company having supervision over its waterway operations, the maintenance of a fleet of canal barges and the rounding out of a smoothly working canal organization has made of the undertaking "a service highly to be desired as a factory facility, and a profitable one." Improvements made by the State in the terminal facilities at Schenectady and New York contributed greatly to the success of this corporation's canal service and now that the company has had conclusive proof of the feasibility and practicability of canal transportation, it may be assumed they will feel justified in increasing their investment in canal equipment and will appreciably expand their waterway operations.

The Standard Oil Company of New York was the most active private operator of the 1920 season and its fleet of nine tank barges, each with a capacity of nearly 200,000 gallons, was in constant service. From a distributing base maintained by the corporation on the Hudson river at Albany, cargo was carried through the Champlain Division to Fort Edward, Whitehall and ports on Lake Champlain. Many trips were made to Burlington, Vt., and Rouses Point, N. Y. On the west deliveries were made at Schenectady, Amsterdam, Little Falls, Utica, Rome, Syracuse, Fulton, Seneca Falls, Geneva and Rochester. The company has acquired realty holdings adjacent to the canal channel at all the ports named, erecting large storage tanks on the shore, running pipe lines from the shore tanks to the water edge. The tank barges come alongside and the oils are pumped direct from the barge

to shore tanks. At Rochester the company this year expended over \$100,000 in providing docking facilities for its barges and its investment in property and terminal facilities elsewhere along the waterway, as well as in its canal floating equipment, runs into the millions of dollars. During the season the barges operated by the company traversed the system for a total boat mileage of 29,316 miles carrying 94,862 tons of petroleum products. Last year the company carried 46,151 tons. Officials of the corporation advise that plans have been prepared, in fact construction is in progress, for five self-propelled tankers of 700-ton capacity that will be available for service during the 1921 season. With the fleet augmented by this equipment the tonnage that may be carried next season should exceed the aggregate of the 1920 season by a greater percentage than the 1920 exceeded the 1919 season. I accept the canal interest and operations of this huge corporation as final proof of the efficiency of the new canal system. Sagacious in the extreme the corporation early made preparation for an extensive utilization of the Barge Canal System, even before the new waterway assumed completed proportions, and the annually increasing volume of tonnage carried through the canals by its tank barges gives conclusive answer to those who question the economy of canal shipping.

The Ore Carrying Corporation of New York, which for a number of years has engaged in the transportation of iron ore from Port Henry on Lake Champlain, to Elizabethport, N. J., where the cargo is transshipped for rail movement to Bethlehem, Pa., had a most successful season. Operating 60 barges, of which 27 were owned by the corporation and the balance chartered from individual operators, the company carried 132,128 tons of iron ore during the season. In the 1919 season the company handled 41,779 tons and the marked increase in tonnage for 1920 gives promise of an unusually heavy movement in succeeding years. Except in some minor respects, the seasons experience of this corporation was highly successful.

The Glens Falls Portland Cement Company of Glens Falls continued its service with six barges. Whereas in previous years it has engaged exclusively in the transportation of cement from Glens Falls to New York, during the 1920 season its product was

handled by water to other canal ports and it is understood, if labor troubles had not interfered with production, the canal tonnage of the company would have shown an appreciable increase. As it was 5,968 tons were carried in 1920 against 3,997 in 1919. Information has been received by the department that this company plans to build six additional boats.

The Sugar Products Corporation re-engaged in the transportation of syrup from New York to Belleville, Ontario, through the Oswego Division and across Lake Ontario. This concern owns and operates a tank barge which made three trips during the year.

The Griffin Lumber Company of Hudson Falls, Finch-Pruyn Company of Glens Falls and the Kenyon Lumber Company of Hudson Falls, operated a number of barges in a private service throughout the season.

Foremost among the newcomers in the industrial transportation service was the Pennsylvania Cement Company of New York. This corporation operates a plant at Portland Point on Cayuga Lake and is admirably situated to distribute its product by water in the territory between Lake Erie and Hudson River. It acquired of itself or through subsidiary operating companies nine barges that were employed in transporting cement from Portland Point to various ports. Deliveries were made at Buffalo, Rochester, Lyons, Oswego, Amsterdam, Schenectady, New York and many other ports. The waterway operations of this corporation were developed at a time when the cement situation throughout the State was most acute. Car shortages and the interruption of fuel supply seriously curtailed the production of various other cement companies and the greatest difficulty was experienced by contractors in obtaining cement deliveries. For the greater part of the summer the Pennsylvania Cement Company because of its ability to make canal deliveries was the only concern filling cement contracts throughout the State. The company encountered many difficulties in its initial endeavors but on the whole was well satisfied with its experience and has extensive plans for future operations. It shipped 16,020 tons from its Portland Point plant during the 1920 season.

The canal operations of the Solvay Process Company of Syracuse, on behalf of itself and allied interests as well as its customers, gives evidence of developing into a permanent activity of no inconsiderable magnitude. Although this corporation did not acquire any barges by purchase or construction, it operated 15 barges under charter arrangement and shipped 27,031 tons. Advices received from the corporation indicate a very successful season was experienced. The traffic manager of the company states, "if it were not for the canal, it would have been impossible for our company to ship the tonnage which we did." Such expression is indicative of the feeling of all those who have had opportunity or occasion to utilize the canal route and I am of the firm conviction the ability of the improved canal system to serve shippers in time of transportation stress will be a most potent factor in the rehabilitation of commerce on the waterways. Its utility in an emergency can not but convince shipping interests of its value as a permanent transportation medium and it may well be expected those whose initial utilization of canal facilities has been in a sense compulsory will hereafter voluntarily seek the route because of its economy and natural advantages.

Among others who made extensive use of the canal throughout the 1920 season of navigation was the Beaver Board Companies of Buffalo. This corporation operated several barges under charter carrying paper stock from New York to its plant at Tonawanda and finished product on the return trip.

The American Radiator Corporation purchased a fleet consisting of a steamer and five consorts of the old Erie canal type and operated this equipment in a private service out of Buffalo.

The Washburn Crosby Company purchased a barge that was utilized in transporting flour from Buffalo to ports such as Syracuse, Utica and Schenectady.

Intense interest in private operation is manifest among the larger shippers generally. The department has prepared estimates of operating costs and given advice as to types of barges best suitable for various classes of traffic to many concerns. Investigations are being carried on by such interests and it is certain that prolonged delay in the development of a comprehensive common carrier canal service will influence these corpo-

rations to inaugurate a private service. The common carrier service is preferable in most cases. Few concerns desire to burden themselves with the details of a canal operation. To the majority it is an uncharted sea and demands the creation of a special transportation organization. The first cost is heavy and the investment is slow of amortization. I believe, nevertheless, that if the efforts of the State to create a dependable scheme of canal transportation through the investment of private capital in canal transportation companies is not productive of satisfying results within the near future, the inadequacy of the existing transportation organization may be relieved by the creation of private industrial lines.

GOVERNMENT CANAL OPERATIONS

EFFORTS TO COMPEL DISCONTINUANCE

At the time of submission of my annual report for the year 1919 to your Honorable Body there was pending in Congress a measure known as the "Esch-Cummins" or "Railroad" bill. Among other things one purpose of this measure was to repeal the Federal Control Act and to restore the railroad systems of the country to their private owners. Inasmuch as the Federal Government has entered the transportation business on the New York canals by virtue of authority granted by the Federal Control Act and as it was the distinct understanding of the State that the tenure of utilization of the State waterways by the Federal Government would cease coincident with the termination of Government operation of the railroads, this measure had received my most careful consideration. It had been said that some provision would be incorporated in the bill having to do with the policy of the Government toward the inland waterways of the country and I had been at some pains to make clear to the Congressional representatives of the State in Washington that nothing should be embodied in the Railroad bill permitting the Government to continue its war time activities on the New York canals subsequent to the return of the railroads to their owners. The Senators from New York and many Representatives interested themselves in the matter. Inquiry of the conference committee of both Houses having the Railroad bill in hand brought

out that there was no provision of the bill in contemplation that in any way affected the New York canals. Reassured by such information and confident that Government operation on the State waterways would be terminated by the passage of this measure no further action was taken by this department. Shortly thereafter, however, I received a copy of the Railroad bill as proposed by the Conference Committee, discovering that section 201 thereof provided that "all * * * barges * * * on the inland, canal, and coastwise waterways acquired by the United States in pursuance of * * * the Federal Control Act * * * are transferred to the Secretary of War, who shall operate * * * such transportation facilities so that the lines of inland water transportation established * * * during Federal control shall be continued * * *." The purpose of this section was clear. It was apparent that under this provision Government operations on the New York State waterways would be continued. I immediately communicated with representatives of the State in Washington urging that the Act be amended so as to specifically exclude the New York canals from its provisions. Congressman Esch, the Chairman of the House Committee on Foreign and Interstate Commerce, and Senator Cummins, the Chairman of the Senate Interstate Commerce Committee, both advised that prior to drafting section 201 of the Railroad bill they had been informed that the Government had not taken over any transportation facilities on the New York canals and were not engaged in any operation thereon. Furthermore, they were both personally opposed to such operation if it had existed and was not desired by New York State interests. The inclusion of section 201 in the Railroad bill in the form in which it was submitted to Congress unquestionably resulted from a deliberate misstatement of facts by the person or persons with whom the Conference Committee consulted. It is inconceivable that the information given the Congressional Committee was founded on ignorance and if so such ignorance of the activities of the Government by Government officials is appalling. It is my personal belief whoever imparted the information to the Conference Committee as to the inland waterway activities of the Government wilfully concealed the truth as far as the New York State Canal situation was concerned.

It was impossible in view of the importance of the major features of the Railroad bill to delay its passage in Congress pending revision of the language of section 201, therefore the bill as it was carried in the conference report was passed. Subsequently, United States Senator Wadsworth introduced a resolution, Senate Joint Resolution 161, entitled "Joint Resolution to Exempt the New York State Barge Canal from the Provisions of Section 201 of H. R. 10453." This resolution read as follows:

"Resolved (by the Senate and House of Representatives of the United States of America in Congress Assembled), That Section 201 of the bill (H. R. 10453) 'to provide for the termination of Federal control of railroads and systems of transportation; to provide for the settlement of disputes between carriers and their employees; to further amend "An act to regulate commerce" approved February 4, 1887, as amended, and for other purposes,' shall not be considered as authorizing the Secretary of War to operate, or cause to be operated, for commercial purposes, any boats, barges, tugs, or other transportation facilities upon the New York State Barge Canal."

Thereafter, the Canal Board at a meeting held March 17, 1920 adopted the following resolution:

"Whereas, Under date of April 10, 1918, this Board duly adopted a resolution pledging the co-operation of the State in the plans of the Director General of Railroads to bring about a coordination of the use of the railroads and the canal system during the period of the war, to the end that the transportation of the greatest possible amount of tonnage on the canals might result; and

"Whereas, The operations of the Federal Government on the canals under the direction of the Director General of Railroads and his successor, begun in the navigation season of 1918, were continued during the season of 1919; and

"Whereas, The transportation conditions created by military operations of the United States and which necessitated the use of the State canals by the Federal Government, no longer exist and the United States Railroad Administration Act, under which such canal operations were carried on, has been repealed and the railroads returned to their owners; and

"Whereas, Under the provisions of the Railroad Bill recently enacted by Congress, all barges, tugs and other

equipment acquired by the Federal Government under the United States Railroad Administration Act for operation on the inland waterways have been transferred to the Secretary of War so that the operation of such barges, tugs and other equipment on the inland waterways under Federal control shall be continued; and

“Whereas, According to advices received by this Board, the plans of the Secretary of War include the further use for commercial purposes on the canals of the State of the barges and other equipment heretofore acquired for such purposes, and that such operations will be conducted by the United States Engineers; and

“Whereas, It is the opinion of this Board that no emergency or other conditions exist requiring the Government to continue its operations on the canals of this State; that the said operations have in no sense tended to develop canal commerce, that during the season of 1919, the Federal barges carried freight on the canals when barges owned by citizens of this State were available for such use; that such operations resulted in unfair competition and in discrimination against privately owned barges; and that the presence of the Federal Government in the Canal transportation field is a deterrent to the investment of private capital for the formation of freight carrying companies on which the ultimate success of the canals must depend. Now, therefore, be it

“Resolved, That this Board disapproves and opposes the continuation by the Federal Government of the operation of barges, tugs and other equipment on the canals of this State for general commercial purposes; and be it

“Further resolved, That it is the sense of this Board that in justice and fairness to the State of New York, all canal equipment heretofore operated and used by the United States Railroad Administration on the New York canals, or which has been constructed or acquired for such use should be transferred to the ownership of the State of New York for charter or sale by the State to those who will operate and use such equipment in the carrying of canal freight, such transfer to be in the nature of a partial return for the furnishing by the State, at its sole cost and expense, of a system of waterways connecting the Great Lakes with seaboard, at the disposal of the Nation and particularly in part compensation for conditions which have arisen in consequence of the Government's canal operations during the seasons of 1918-1919; and be it

“Further resolved, That copies of this resolution be forwarded to the Governor and to the Legislature, with the

request that appropriate action be taken to make known to the Secretary of War and all officials of the Government having to do with such matter, the opposition of the State of New York to the further commercial use by the Government of the State canals, and requesting that all said barges, tugs and other equipment be transferred to this State, to the end that the State may take such action as may be necessary to secure their operation and use on the canals under private control and management."

Immediately following this action of the Canal Board, a concurrent resolution was passed by the Legislature, reading:

"Whereas, There has been duly presented to the Legislature copy of resolution adopted by the Canal Board of this State at its meeting of March 17, 1920, calling the attention of this Body to the proposed continuation by the Federal Government of freight carrying operations on the State Canals, pointing out the harmful effect of the same on the canal commerce, and urging that such action be taken as would lead to the withdrawal of such operations and the transfer of the Federal boating equipment to the State, such resolution reading in full as follows:

(Language same as Canal Board resolution.)

"Resolved (if the Senate concur), That it is the sense of the Legislature of the State of New York that the commercial use of New York State Canals by the Federal Government shall cease and be discontinued, to the end that the said canals shall be restored to the status which they possessed previous to the year 1918 so far as the control of the movement of freight thereon is concerned; and be it

"Further resolved, That the Legislature of the State of New York recommends and requests that all canal equipment heretofore operated and used by the United States Railroad Administration on the New York canals, or which has been constructed or acquired for such use, should be transferred to the ownership of the State of New York for charter or sale by the State to those who operate and use such equipment in the carrying of canal freight; and be it

"Further resolved, That a copy of this resolution be forwarded to the President of the United States, to the Secretary of War and to the representatives of this State in the Congress of the United States."

The Senate Committee on Interstate Commerce called a hearing on Senator Wadsworth's resolution and on April 9, 1920, in company with representatives from practically every commercial organization in the State, I appeared before the Senate Interstate Commerce Committee in Washington, urging that favorable consideration be given the resolution and arguing that Government operation on the New York canals had been a lamentable failure, was inimical to the successful development of commerce on the State waterways and prejudicial to the best interests of the people of the State of New York. The minutes of this hearing are incorporated in this report as Appendix "A." The resolution was favorably considered by the Senate Committee and passed by the United States Senate.

The Committee on Interstate and Foreign Commerce of the House called a hearing on the resolution May 20 and 22, 1920. Again the commercial interests of the State appeared in force in Washington, protesting against a continuance of government operation of a fleet of barges on the New York canals in a commercial service competitive with the citizens of the State of New York. At the hearing before the House Committee the Secretary of War vigorously opposed the resolution. Representatives of the Secretary of War painted a wonderful picture of the splendid results that would accrue to the people of New York State by the continued operation of government barges on the New York canals under the direction of the War Department. Moreover, representatives from the South interested in the development by Federal agency of the Mississippi and Warrior rivers, appeared before the committee insisting that if the United State government terminated its transportation activities on the New York canals the equipment it had constructed or had in process of construction for service on the New York waterways should be utilized on the Mississippi and Warrior rivers and should not be disposed of by the government to private interests for operation on the New York canals. The minutes of the hearing before the House Committee are incorporated in this report as Appendix "B." Congress adjourned before action was taken by the House of Representatives on Senate Joint Resolution 161 and the government, under the direction of the Secretary of

War, through the Inland and Coastwise Waterways Service, administered by the chief of the Army Transport Service, has operated a fleet of 95 barges on the waterways of the State during the navigation season of 1920. The equipment operated by the government is supposed to be the last word in inland waterway barge design. The power units employed cost nearly \$100,000 each. Twenty steel steamers, twin screwed, having 400 I. H. P. each and cargo capacity of 350 tons were in service. Fifty-one steel barges, 150 feet long, 20 feet wide, 12 feet deep, with a cargo capacity of 630 tons each; twenty-one concrete barges, 150 feet long, 21 feet wide, 12 feet deep, with a cargo capacity of 520 tons each, and three wooden barges of the same general dimensions were operated. The total cost of the fleet was approximately \$4,500,000.

FEDERAL MOVEMENT OF FREIGHT

The Report of the Director of Inland Waterways of the United States Railroad Administration for the year 1918 excuses the failure of government operations on the grounds that the equipment to be had was obsolete and inadequate and the time permitted for the mobilization of a fleet and perfection of an operating organization was too short to permit of efficient results.

The report of the Government for the fiscal year 1919 shows a loss of \$506,807.38. The failure of operation is admitted but excused on the grounds that the modern power units contracted for had not been delivered and such tow boats as were available for the movement of the new steel and concrete barges that had been delivered were inadequate.

The report of the Chief of Inland and Coastwise Waterway Service for the fiscal year 1920, comprising only 45 days of the navigation season of 1920, shows a loss of \$62,670.14. The deficit for the entire season of navigation will unquestionably exceed \$500,000. Throughout 1920 the government had in service its full complement of floating equipment, the most modern and most costly of any on the State waterways. The season's cargo capacity of the fleet if operated with reasonable efficiency would have been approximately 600,000 tons. The alleged causes for the failure of operations of 1918 and 1919 did not exist in 1920 yet the results were relatively far more disastrous. The government

barges carried 197,017 tons during the season of 1920. In my 1919 report I showed that while canal commerce increased 7 per cent. in 1918 that proportion carried by the government line decreased 2 per cent. During 1920 the government barges carried slightly less than 14 per cent. of the season's total tonnage, their proportion decreasing another 2 per cent., despite the fact the very best equipment to be had was operated by the government and traffic was available in large volume, increasing about 15 per cent. in total. A comparison of the barge activity of the government fleet with barges operated by others shows that the type of equipment characterized by the government in 1918 as "obsolete and inadequate" worked with much greater efficiency. The War Department fleet engaged almost exclusively in the through Buffalo-New York traffic, the long haul trade, yet the average miles per day made by government barges was but 24.4 miles as against the 25.7 miles per day made by independent boats. The average time per trip by government boats was 14.1 days, as against 7.9 made by the independent boats. One independent carrier having in service power units and cargo barges of the old canal type with a season capacity of about 120,000 tons carried during the year over 90,000 tons or 75 per cent. of its capacity. Government barges carried less than 30 per cent. of their capacity. Shippers have reported to the Department that government barges were as long as 75 days in transit from New York to Buffalo. Government barges with cargo valued at hundreds of thousands of dollars on which the shipper was paying interest charges laid at the Barge Canal terminal in the city of Albany for several weeks. A time was reached when shippers of flaxseed from New York dissatisfied with the abominable service of the War Department line diverted their tonnage to the independent operators. Immediately the government decreased its rate on this commodity. The former rate was fair and reasonable. It is questionable whether the decreased rate was remunerative. The loss in earnings to one carrier resulting from the destructive competitive methods of the government would have been sufficient to pay a substantial dividend on the entire capital stock of the company.

Not the least of the evils of government operations were its effect on the commercial interests of the canal. The utter

incompetency and rank carelessness of government employees manning the barges placed the canal structures in constant jeopardy. The movement of a government fleet was a serious menace to locks, dams and bridges. Navigating the waterway with complete disregard of rules and regulations the government boats wrought havoc with the channel buoy lights; badly damaged locks time and again; were in collision frequently with other craft; were sunk here and there in the canal channel, and in one instance almost completely demolished a bridge. Reports continually reached the Department that officers and crews on government boats were intoxicated while on duty and incapable of safely performing their duties. A rehearsal of the accidents and damage caused by the incompetent and careless handling of government barges would entail more space than may be permitted in this report. Suffice to say that had the conditions cited resulted from the operation of barges by a private company the privileges of the waterway would have been denied that company. As it was, the impression prevailed that since the War Department Canal service was conducted through Act of Congress, the operation of the boats was outside the jurisdiction of the Superintendent of Public Works.

Government operation on the New York canals in 1918 and 1919, under the Railroad Administration, was most deficient. Government operation under the War Department in 1920 was so replete with mismanagement, inefficiency and incompetency as to defy imagination. The fiasco of government operations in 1918, 1919 and 1920 demand that there be brought about an immediate termination of Federal operations on the New York State waterways. The people of New York have been compelled to assume a large share, nearly 30 per cent., of the million or more dollars lost by the Railroad Administration and the War Department in their ridiculous attempt to conduct a business enterprise. The commercial interests of the State demand that the government withdraw from business on the New York canals and cease competing with citizens of the State in a field where the government has no moral right to continue. To that end, I urge upon my successor and your Honorable Body the imperative necessity of early and forceful action that there may be introduced and

passed in Congress legislation amendatory to the Railroad bill that will compel the immediate discontinuance of government operations on the Barge Canal.

As to what disposition shall be made of the barge equipment built by the government for service on the canals, if and when government operation is terminated by an Act of Congress, I hesitate to offer recommendation. In the judgment of most experienced and practical inland waterway transportation men these boats are unsuited to the Barge Canal and are faulty in type and design. It has been proven they are extremely expensive to operate and it is questionable whether in the hands of private interests they may be profitably operated. I am of the opinion, nevertheless, that opportunity should be given private interests to acquire the equipment by purchase, lease or charter and that the preferential and prior right of purchase, lease or charter should be given those who desire and will agree to operate the equipment on the inland waters of New York State. I therefore recommend to your Honorable Body that there be incorporated in any measure that may be introduced in Congress amendatory to the Railroad bill and terminating government operation on the New York canals a provision to this effect.

CANAL TRAFFIC BUREAU

ACTIVITIES OF TRAFFIC BUREAU.

I believe no other public work in the country, unless it be the Panama canal, has received such widespread publicity as the Barge canal. Throughout the sixteen-year reconstruction period, the press, engineering periodicals and the like, had devoted much space to the waterway as a physical proposition. With the completion of the construction work it was apparent that publicity of a different character must be employed. Few shippers there were but knew a barge canal had been built and at a great cost, and fewer were there that had the least conception of how or to what extent the completed waterway could serve their transportation requirements. It was for the purpose of educating shippers to the advantages of inland waterway shipping that the commercial interests of the State advocated the

creation and succeeded in creating a Canal Traffic Bureau, whose function it is to compile statistics and data relative the canals, to furnish information relative the transportation of freight by water; in fact, serve the same purpose in the canal organization as does the traffic department of a railroad or a large industry.

The activities of the Traffic Bureau are showing results. Constant solicitation has been carried on; shippers everywhere have been aided and encouraged to utilize the canal route; transportation organizations have been fostered and assisted in acquiring cargo; rates have been initiated; routes developed; obsolete practices eliminated; new methods inaugurated; unfounded prejudices overcome; literature descriptive of the canal facilities prepared and distributed throughout the country; articles showing the value of the waterway and how it may be utilized furnished the press and periodicals; the interests of the waterway generally safeguarded; inimical legislation opposed; boats acquired for shippers; cargo obtained for boats and every effort made to rehabilitate commerce on the canals. That such efforts have been fruitful is to be seen in the increasing commerce of the waterways and the very apparent re-awakening of interest among shippers in canal transportation.

I am of the belief, however, that much more can be accomplished with an extended traffic organization. With the advent of new carrier organizations into the canal transportation business and the development of canal commerce to large proportions, it will become necessary to broaden the sphere of activity of the Traffic Bureau and increase its personnel. Buffalo and New York are the two main primary sources of canal traffic. The territory in the central part of the State also offers a fertile field of exploitation. It is a stupendous task to reach all shippers in the territory tributary to the waterway, to educate them to the new methods of canal transportation and to convince them it is distinctly to their advantage to utilize the canal facilities.

I believe there should be established in the Buffalo, Central and Metropolitan Districts, traffic agents whose duty it would be to canvass the shipping interests of their respective districts thoroughly and continuously, to bring to the personal attention

of shippers the facilities available for the movement of their traffic via canal, the merit of the service, and to be as constantly on the alert for prospective business as are the district representatives of competing rail lines. It must be realized that the State has embarked on a transportation enterprise of great magnitude. It must also be realized that development of commerce on the Barge canal will not be as rapid or easy of accomplishment as was the case with the original Erie canal. To-day the competition of other water routes, the competition of the motor truck on the highway and the highly organized railway competition, must be met and successfully combatted before the Barge canal will begin to transport tonnage approaching its capacity. It is imperative therefore that the canal traffic organization be as strong and efficient as its competitors.

The Traffic Bureau under its present organization has served its purpose efficiently and effectively. However I consider the title of the Chief of the Bureau, the Canal Traffic Agent, a misnomer. The Canal Traffic Agent is in fact the General Freight Agent or Traffic Manager or Traffic Director of the State Waterway System. The duties of the office are of extreme importance to the rehabilitation of canal commerce and to the efficient handling of canal business. I recommend to your Honorable Body, therefore, the wisdom and necessity of amending the Act of Legislature creating the office of Canal Traffic Agent to the extent that there will be created the office of Traffic Director and three assistants, such assistants to be located at Buffalo, Syracuse and New York City, pursuing their duties under the direction of the Traffic Director and all under the general supervision of the Superintendent of Public Works. Such was the plan originally conceived and advocated by the shipping interests of the State. These interests have urged upon me recently that the time is now opportune to create the nucleus of a traffic organization which, keeping pace with the development of canal commerce of future years, will ultimately become an organization of inestimable worth and service to the commerce and people of the State.

In my last Annual Report to your Honorable Body, I mentioned plans that were at that time under way to publicize the waterway and popularize its utilization through the medium of

the motion picture. A splendid film of the system portraying the principal features of the waterway, depicting actual physical and operating conditions and illustrating the excellence of the canal as a transportation medium was made and during the last year has been extensively exhibited throughout the State. Meetings of shippers and business men have been held at the following places, whereat the pictures were exhibited and the facilities of the waterway presented to those present in the greatest detail.

New York City: Harlem Board of Commerce, Bronx Board of Trade, Brooklyn Chamber of Commerce, New York Boat Owners Association, Engineers Club of New York.

Albany: General public meeting attended by State officers under auspices Albany Chamber of Commerce, Albany Society of Engineers.

Schenectady: Joint meeting Rotary Club and Chamber of Commerce.

Rome: Chamber of Commerce.

Syracuse: Joint meeting Chamber of Commerce and Allied Clubs of Syracuse.

Oswego: Public meeting under auspices of Chamber of Commerce.

Rochester: Chamber of Commerce, Rochester Ad Club.

Tonawanda and N. Tonawanda: Chamber of Commerce of the Tonawandas.

Buffalo: Joint meeting of Chamber of Commerce and Rotary Club, meeting of independent group of merchants and manufactures.

Niagara Falls: Chamber of Commerce.

Auburn: Chamber of Commerce.

Watertown: Chamber of Commerce.

Cohoes: Cohoes Board of Trade.

Geneva: Chamber of Commerce.

Richfield Springs: Convention New York State Retail Coal Dealers Association.

Boston, Mass.: New England Industrial Traffic League Convention and Boston Chamber of Commerce.

Philadelphia: Engineers Club of Philadelphia.

Many other cities have endeavored to arrange for the exhibition of the pictures but have been unable to do so as yet and there are tentative engagements pending with interests in New York,

Poughkeepsie, Hudson, Troy, Utica, Lockport and Jamestown. Shippers in Detroit, Cleveland, Toledo and in many New England cities have invited the showing of the films but in only two instances has it been possible to accept invitation outside the State. I am convinced this method of education is the most effective that may be employed. I believe the story of the New York canals the picture relates and the "Ship by Canal" propaganda it disseminates has been productive of immeasurable good and of great benefit to the waterways. Such efforts, however, are seriously handicapped by lack of sufficient appropriation and if the campaign of education, which all canal interests urge, is to be effectively waged, your Honorable Body should place at the disposal of the Superintendent of Public Works funds in sufficient amount to permit of publicity of the widest character and educational propaganda that will reach the farthestmost limits of the territory tributary to the waterway.

Observing the great amount of interest excited by the canal among travelers on the railways and highways paralleling the channel and the lack of knowledge of the waterway apparent with these people, there has been erected and is in process of erection at strategic points throughout the State, large illuminated sign boards, plainly visible from the railway and the highway, bearing brief descriptive matter of the adjacent canal structure or channel and in many instances pertinent advertising propaganda. It was thought that if manufacturing enterprises accept this method of publicity as of value, the State with its tremendous investment in a transportation plant, could profitably emulate their example. While merely a detail in the general scheme of traffic development, this feature is mentioned in order that it may be known no possible means of bringing the facilities of the waterway to the attention of the public has been overlooked.

The Traffic Bureau has given material aid to the Commission opposing the St. Lawrence River Project; has participated in litigation instituted by the department before the Public Service Commission and is co-operating with commercial interests in a matter involving preferential rail rates that militate against the development of canal traffic, treated with in another section of this

report. The introduction of modern methods in statistical tabulation and the development of a harbor master organization at all ports, such harbor masters acting somewhat as local freight agents of the department, has permitted of the compilation of statistics in an intelligent and comprehensive manner. The availability of statistics of this character has proven of much aid to those seeking information relative to the canals or proposing the formation of transportation companies.

CANAL FREIGHT RATES

Undoubtedly some harm resulted to the waterway because of the abnormal conditions obtaining during the 1920 navigation season. Many shippers who in previous years had been loyal and steadfast patrons of the water route suffered from this condition and naturally considerable dissatisfaction and some ill will was created. Heretofore, canal carriers have been compelled to seek cargo and rates were made sufficiently lower than the competing rail basis to furnish shippers an incentive to utilize the canal service. With the approach of the opening of navigation early in the spring a large number of shippers entered the market and sought to charter boats. Except during the year 1918, when the Federal Government took over the majority of the barges at a rate of \$11 per day, canal charters have usually been made on a tonnage basis. This year the outlook to shippers was not encouraging. An acute car shortage existed and an increase in railroad freight rates was impending. Competition for barges became very keen and the law of supply and demand controlling, rates were made on a per diem basis that reached the exorbitant figure of \$25 per day for barges of the old 240-ton type. The individual boatmen being in the majority and sensing the fact that their day of activity was each year drawing nearer a close, took advantage of the situation. Except in the case of the common carrier companies, very few rates were made on a per ton basis. The per diem basis ruled and the cost per ton resulting from this practice was much greater than the per ton rate of previous years on the same commodities between the same points of origin or destination.

Experience had been had with the per diem charter practice in 1918. It was found to have operated against the efficiency of canal service and I endeavored to eliminate it this year. The scarcity of boats, however, and the possibility that shippers might have to rely to a very great extent on the waterway for their transportation requirements, influenced them to disregard my advice. The market having been established, all were compelled to accede to the exorbitant per diem charter rate. I have always opposed any attempt to enact legislation, either State or Federal, that would place port-to-port water traffic subject to the jurisdiction of a regulatory body. I have contended that natural competition is a sufficient controlling influence on water rates and that any other regulatory influence would destroy competition. With conditions such as arose during the 1920 season of navigation, I am inclined to the belief that some influence other than competition must be brought to bear to establish maximum canal rates at least. I am not in sympathy with giving such authority to the Public Service Commission, as I believe the regulatory power should rest only with some authority intimately in touch with canal transportation conditions. I believe, if and when my recommendations as to the expansion of the Canal Traffic Bureau is accomplished, such should be the location of a canal rate regulating authority.

A review of the canal rate structure, as reflected in class rates, shows that the present day situation is distinctly favorable to the development of canal commerce and carriers. When a portion of the waterway was opened to traffic in 1916, it seemed to be the general opinion that a 25 per cent. differential would be sufficient to attract commerce. Subsequently, there have been three successive railroad freight rate advances; the first of 15 per cent., another of 25 per cent. and a third of 40 per cent. Canal operating costs have unquestionably advanced, but not to the extent that absorbs the increase in rates, so that it is believed at the present time canal carriers will find it possible and profitable to render a service on a basis of rates differentiating as much as 40 per cent. or perhaps 50 per cent. under the class rates applying via rail. Hereafter there is set down tables of comparative canal and rail rates for 1916 and 1920, between New York and Buffalo:

	CLASSES					
	1	2	3	4	5	6
	(In cents per 100 lbs.)					
Rail in 1916	41.3	35	29.5	20.1	16.9	13.8
Canal in 1916	35	30	25	17	15	12.5
Differential in 1916.....	06.3	05	04.5	03.1	01.9	01.3
Rail in 1920	84	73	59.5	40.5	34.5	28
Canal in 1920	50	44	36.5	25	30.5	17
Differential in 1920	34	29	23	15.5	14	11

From this comparative statement, it will be observed that while railroad rates in four years have advanced

CLASSES	1	2	3	4	5	6
	27.7	24	18.5	12.4	12.1	09.7

canal rates have advanced only

CLASSES	1	2	3	4	5	6
	15	14	11.5	08	05.5	04.5

The comparison shows the saving in canal transportation under rail has increased over 500 per cent., railroad rates have increased over 100 per cent., but canal rates have been advanced only about 50 per cent.

I consider the present basis of canal class rates eminently fair to both shipper and carrier and I believe local class rates should be stabilized on the existing basis. However, it is my information that certain interests are endeavoring to manipulate the application of the recent 40 per cent. railroad freight rate increase to tariffs now in effect naming rates on classes and commodities via canal and lake and rail-canal-lake from eastern territory to the west, so that while the 40 per cent. increase will apply to the rail rates, the canal and lake rates will be made by deducting the differentials that have been in effect from the increased rail rates.

In other words, for the purpose of maintaining an artificial relationship between all-water and all-rail rates, the water rates will be increased in excess of the increase that would result by the application of the 40 per cent. advance. The all-rail and all-water rates New York to Chicago prior to the 40 per cent. advance compared as follows:

	CLASSES	1	2	3	4	5	6
Via rail		1.125	.99	.75	.525	.45	.375
Via canal .....		.925	.83	.63	.445	.37	.315
Differential .....		.20	.16	.12	.08	.08	.06

Under the 40 per cent. advance, these rates would be increased in the following extent:

	CLASSES	1	2	3	4	5	6
Via rail.....		1.575	1.395	1.05	.735	.63	.525
Via water		1.295	1.16	.83	.625	.52	.44
Differential . . . . .		.26	.225	.17	.11	.09	.085

It will be seen the actual saving under the rail rates to the shipper would have been greater via water after the 40 per cent. advance than prior thereto, but it is understood rail interests are not disposed to permit such result. The lake lines interchanging traffic with canal carriers also participate in the movement of traffic via rail and lake. In rail and lake traffic, lake lines become subject to the jurisdiction of the Interstate Commerce Commission and the Commission has said in substance that differentials existing prior to the 40 per cent. advance should be preserved. The rail and lake differential is exactly 50 per cent. less than the canal and lake differential, and the preservation of the rail and lake differential, while the canal and lake differential is broadened, would operate to the advantage of the all-water route. Therefore, it is understood that because the interest of the lake carriers in rail and lake traffic is keener than in the canal and lake traffic, they will insist that canal and lake rates be established by the deduction of the former differentials from the increased rail basis, thereby making canal and lake rates New York to Chicago as follows:

CLASSES	1	2	3	4	5	6
	1.375	1.225	.93	.655	.55	.465

Thus the all-water rates are increased nearly 50 per cent., while rail rates advance only 40 per cent. and water borne commerce is compelled to assume a greater charge than costs of operation and value of service warrant. In the interchange of traffic with canal lines, lake carriers do not come within the jurisdiction of the Interstate Commerce Commission. It is therefore

discretionary with lake and canal carriers to establish joint rates on any basis that satisfies their mutual interests and without any regard as to what the all-rail or rail and water rate may be. The present and prospective basis of canal-lake rates are extremely high. The New York-Chicago all-water rate has advanced from 36 cents per cwt. first-class in 1915 to \$1.125 in 1920, an advance of over 300 per cent. All-rail rates on the other hand have increased less than 50 per cent. of the water advance and the continuance of such practices will be inevitably kill off water borne commerce between the canals and Great Lakes. I am unalterably opposed to the plan of increasing canal-lake rates on the basis defined hereinbefore and shall call upon the commercial interests of the State to co-operate in a movement to oppose the scheme.

Still another rate problem is presented the State for solution if its efforts to build up canal traffic are to be of any avail.

Elsewhere in this report reference has been made to the disappointing grain traffic of the year and the apparent causes of the comparatively light canal grain tonnage. A rate situation is here involved that may warrant the initiating by the State of litigation before the Interstate Commerce Commission or the intervention of the State in litigation that may be initiated by other interests.

The condition militating against the maximum development of grain tonnage through the State waterway resulted from a readjustment of rates from Missouri River territory to Gulf ports. It presents many complications and interests of the State in its canal investment and in the prosperity of the ports of Buffalo and New York are not alone concerned. The ports of Boston, Baltimore and Philadelphia have a vital interest in the question and I believe may be relied upon to co-operate with New York interests in any corrective measure that may be undertaken. Prior to the 5 per cent. railroad freight rate advance of 1915, rail rates on grain to the gulf from western points bore a distinct relation to rates to the Atlantic seaboard, such rates reflecting the then existing difference in ocean rates from Gulf ports to Europe as against the Atlantic seaboard. Subsequent rate increases disrupted this relationship and during the tenure of the Railroad Administration an effort was made to readjust the

rates. A full readjustment, however, was not accomplished so that the application of the 40 per cent. increase becoming effective August 26, 1920, further aggravated an already preferential basis of rail rates to Gulf ports, with the result that this preferential rate basis, coupled with an ocean rate situation from Gulf ports to Europe, that compared favorably with pre-war rates, operated to attract the bulk of domestic exportable grain through the Gulf ports. The movement of wheat from Missouri River territory through the rail and lake route to Buffalo was extremely light because the rates favored the routing of the grain to the Gulf and this was despite the favorable adjustment Buffalo and New York grain interests succeeded in accomplishing, whereby the rates applying at and east from Buffalo were increased only 25 per cent., while the Chicago re-shipping rates were raised 40 per cent.

The State has committed itself to an expenditure of several million dollars for the construction of canal grain elevators at Oswego and New York. It is manifest these structures considered so vitally important to the restoration of the grain trade to the waterway, will be of little utility if a condition such as obtained during the 1920 season of navigation is permitted to divert the grain traffic from the Atlantic ports. Neither may it be expected that the growth of canal carriers will be rapid or satisfactory if grain cargo is not to be had at the western termini. The situation is therefore of extreme importance. Either the rates to the Gulf must be increased or the rates to upper lake ports decreased.

I propose to give this question the closest attention and will employ every facility at my command to protect the best interests of the waterway and the grain commerce of the State.

Much remains to be done in building up a line of canal rates that will properly cover the territory and traffic tributary to the waterway. To a great extent such rates will depend on the development of canal carriers. Already there is a sentiment among shippers located in cities off the line of the waterway for the establishment of joint rail and canal rates that will permit them to enjoy the benefits of the cheap water route and every effort is being put forth by the Department to institute rates that will accommodate such traffic.

POSSIBILITIES OF FUTURE BUSINESS

The outlook for the future is bright. Sources of new traffic are constantly being developed and business that in former years offered attractive tonnage, but of late has dwindled to insignificant proportions, is being revived. The heaviest item of comparatively new traffic is in import flaxseed. During the 1920 season 81,465 tons were carried from New York to Buffalo and the West, and every indication is present that the tonnage in this commodity will increase in future years. The completion of the canal terminal grain elevator at New York will give great impetus to the movement of import grains. In past years large quantities of California barley was handled by the canal in westbound movement. It is believed this business may be restored when adequate facilities for its handling become available. Import corn also offers possibilities. Lumber and forest products from the Pacific coast will become available for westbound canal movement with the resumption of steamship service between the Atlantic and Pacific through the Panal Canal. Many shippers have conferred with the Department with reference to canal facilities for this class of traffic. Pulpwood shippers have shown great interest in the canal route. Already a large corporation owning huge tracts of timber land in Canada has established a pulpwood distributing terminal at Oswego, and only await the inauguration of a dependable canal service before they will utilize the canal route from Oswego. Maine interests are also pursuing investigations and are in a position to furnish many thousands of tons of pulpwood cargo when canal transportation conditions are propitious. Industrial development along the line of the waterway opens up unlimited possibilities. The location of an internationally famous rubber manufacturing concern at Buffalo presents the possibility of carrying crude rubber and other import raw materials. A large power development in the lower Mohawk territory will consume 75,000 or more tons of coal each year which it is planned to bring in via canal.

Motor vehicle manufacturing interests in the central western territory are alive to the possibilities offered by the canals for the movement of motor vehicles from Buffalo, either on their own wheels or boxed for export. The Department has been at great

pains to bring the canal facilities to the attention of such shippers. At one time during the summer an automobile manufacturer located at Syracuse was unable to obtain automobile bodies from a manufacturer in Buffalo because of the car shortage. Two flat deck barges were acquired and approximately 100 fully finished, glassed, set up sedan bodies were taken through the canal from Buffalo to Syracuse and delivered without a scratch in two days time.

Evidence has been had during the last season of navigation that the waterway is not an exclusive carrier of low grade or coarse freights. In one instance, four specially constructed barges carrying a cargo of live eels, originating at Quebec, entered the canal at Oswego and were speedily transported to the New York market. This was a most unusual experiment, but the success of the venture has prompted the promoter to enter into arrangements for the building of additional boats and it is said the traffic will be regularly carried next year. Many barge loads of perishable commodities such as potatoes, apples and onions, have been handled and I am of the firm conviction the development of a distinctive type of barge, perhaps a refrigerated barge, will permit the movement of large quantities of this class of traffic.

There is no commodity produced or consumed throughout the territory traversed or connected by the waterway that is not potential canal freight. Everything that is transported by rail lines can be safely and economically carried in canal service. A tremendous volume of tonnage awaits the inauguration of a high class transportation service on the waterway and, with the creation of such service, the success of the undertaking will be assured.

INDUSTRIAL DEVELOPMENT

There has been little change in the situation related in my report to your Honorable Body of 1919, relative industrial development along the line of the Canal System.

Those projects mentioned in my preceding report are well under way and here and there throughout the State new enterprises are being born. Foremost of these is the plant of the Adirondack Power Company, under erection near Amsterdam. Under permit issued by my department this corporation dredged

a harbor from the main canal channel and, in connection with the construction of the power plant, it is understood wharves will be built and unloading machinery installed, enabling the corporation to take delivery of its fuel supply by canal. At Oswego, the Cornwall Terminal Co., Ltd., have acquired extensive water front holdings and have erected a pulpwood loading and unloading terminal. It is understood this company is allied with large lake steamship and Canadian timber interests and a canal traffic of some magnitude is expected to develop from their operations. Action by the Federal Water Power Board releasing power created by the government dam in the Hudson River at Troy has served to expedite the preliminary work on the large tractor plant to be erected by the Fordson Company of Detroit and here too, the waterway will undoubtedly benefit by a large tonnage thus created.

Labor conditions and the high cost of building materials has operated to restrict in some measure other industrial activity in the canal territory but with the restoration of normal conditions, it is reasonable to assume the splendid facilities afforded by the waterway and the territory that has been made available for industrial development by the relocation of the canal channel will influence the location of many industrial establishments along the route.

RAIL-CANAL INTERCHANGE FACILITIES

Information is continued in my annual report of 1919 relative the action I had initiated before the Public Service Commission to compel the New York Central Railroad Company to recognize the provisions of the Public Service Commissions Law as to the interchange of traffic between rail and water lines and the construction and operation of interchange tracks between canal terminals and rail lines. In the Buffalo case the Commission decided in favor of the State, the order of the Commission reading as follows:

"That the New York Central Railroad Company provide a transportation service between the Erie Basin Barge Canal public terminal in the City of Buffalo, and shippers located on its tracks, in the City of Buffalo, N. Y., between the Erie Basin Barge Canal public terminal in the City of Buffalo, and shippers located on its tracks at any other point within

the State of New York and between the Erie Basin Barge Canal public terminal in the City of Buffalo, and shippers located at any other point in the State of New York on the tracks of any other Railroad Company, with which the New York Central Railroad Company can interchange traffic.

"That such transportation service shall include the furnishing of necessary rolling stock by the New York Central Railroad Company, for all traffic moving from the Erie Basin Barge Canal public terminal, and from all shippers located on its tracks in the City of Buffalo or any other point on its tracks within the State of New York to the Erie Basin Barge Canal public terminal, the operation by the New York Central Railroad Company upon the railroad tracks within such Erie Basin Barge Canal public terminal by such railroads' own motive power and servants, all rolling stock going to or coming from said Erie Basin Barge Canal public terminal; and the spotting, placing and removing of rolling stock therein.

"That the New York Central Railroad Company shall within thirty days after the service of this order file tariffs with the Commission for all service into and out of said terminal, and over its connecting lines."

The carrier subsequently petitioned the Commission for a rehearing which was denied. The status of the matter at the present time is that the carrier disputes the authority of the Commission and apparently has refused to comply with the Commission's order. I intend to prosecute this matter vigorously as a most important principle is involved and shall petition the Commission to apply for a court enforcement order in the event future developments indicate the carrier is disinclined to respect the order of the Commission.

Splendid progress is being made in the development of interchange facilities at canal terminals. At Rochester, agreement has been reached with the Lehigh Valley Railroad for physical connection between the canal terminal and the tracks of that carrier and at Syracuse work is in progress on a connection with the Delaware, Lackawanna and Western Railroad. At Utica, some obstacles to the carrying out of plans proposed still intervene but, if conferences arranged for do not clear up the situation, I propose to take this issue to the Public Service Commission for adjudication. I am hopeful, however, an amicable solution may be reached on the Utica situation.

With the completion of the interchange facilities at Rochester and Syracuse, the points where traffic may be interchanged between canal and rail lines will be as follows:

Ports	Carriers
Buffalo, Erie Basin	New York Central Railroad Co.
Rochester	Lehigh Valley Railroad Co.
Syracuse	Delaware, Lackawanna & Western R. R. Co.
Schenectady	Delaware & Hudson Railroad Co.
Troy	New York Central Railroad Co.
	Boston & Maine Railroad Co.
Albany	Delaware & Hudson Railroad Co.
Oswego	Delaware, Lackawanna & Western R. R. Co.

Also on the Hudson river, south of Albany, interchange facilities are maintained by the Boston and Albany Railroad at Hudson, N. Y., and the Central New England Railroad, at Beacon, N. Y.

STATE CANAL TOWING.

RESULT OF SEASON'S OPERATIONS

The peculiar status of the canal transportation organization and the effect of the progress of the construction of the improved canal system on that organization has influenced your Honorable Body since 1914 to annually make appropriation in varying amounts for the furnishing of towing facilities on the canals. Reference to the census of boats available for the carrying of freight on the waterway, to be found elsewhere in this report, reveals that fully 75 per cent. of existing equipment is owned and operated by individuals and the balance by industries or common carrier organizations. Very few of the individual operators or industries and but two transportation corporations own and operate tow boats. Therefore each year since 1914,

except during the season of 1918, when the Federal government was in full control of the transportation activities on the waterway, the State has been confronted with the alternative of providing towing facilities that permits the majority of available canal craft to engage in trade, or of declining to do so, with the certain knowledge such declination would deprive the waterway of the major portion of its floating plant; would deny many shippers the advantages of canal transportation, and result in the waterway remaining in comparative disuse. The large commercial organizations of the Metropolis, as well as of the principal cities elsewhere in the State and shipping interests generally, have been unanimous in their approval of the course the State has followed. These interests recognize that commerce on the State waterways must be fostered and encouraged in every conceivable manner and they have demanded that the State be not remiss or derelict in the obligation to restore canal-borne commerce to its one-time splendid proportions.

In my last report to your Honorable Body, I expressed my disapproval of the principle of State towing. I am wholly out of sympathy with any proposal that has for its effect the subsidizing of canal commerce beyond the annual maintenance and operating charges of the system. I believe if the water-borne commerce of the State is to be builded on a dependable basis, its development should come from permanent and not from artificial sources. While my views have undergone no change and I am unalterably opposed to State towing as an interminable practice, I can conceive of no other means at present whereby canal traffic can be kept alive or nurtured to the point where private capital may see its way clear to step in and relieve the State of the duty to furnish towing facilities and it was this thought that influenced my approval of the towing appropriation of the last legislative session. The issue this year was clear and there was but one way out of the dilemma.

As related elsewhere in this report, early in the year many shippers contemplated the charter of a large number of the individually owned boats for service throughout the season. Prior to entering into these charters the shippers, among whom were numbered many of the largest industrial enterprises in the State,

sought information of my department as to whether or not a State towing service would be available to them. My investigations and knowledge of the situation had convinced me carriers owning and operating their own motive power would be incapable of meeting the requirements of these industries and it was certain the providing of towing facilities by the State for the movement of the chartered individually owned boats would offer no competition to transportation corporations operating tow-boats, inasmuch as such corporations were known to have contracted freight to practically the limit of their season's capacity. Therefore, no evil would be attached to the State service, no hardships would be imposed on any individual and the competitive relations of canal carrying interests would not be affected in any way. It also appeared certain that only beneficial results would follow the furnishing of towing service by the State. Nevertheless, I declined to assume the initiative in requesting a towing appropriation, stating that if the inadequacies of the canal transportation organization and the demands of commerce necessitated the furnishing of tow-boats by the State, request for the service and the necessary appropriation should come from those directly concerned. Practically every commercial organization and large shipper on the line of the canal joined in the movement to acquire State towing and as a result of the demands of these interests your Honorable Body enacted Chapter 370 of the Laws of 1920, appropriating the sum of \$150,000 to be utilized in furnishing towing facilities on the Barge Canal. Unfortunately the appropriation did not become available until almost the opening of navigation and but a brief time was had in which to perfect an organization and acquire towing tugs. Eighteen tug boats were chartered and a service inaugurated. I am frank to admit the service had its defects and that shippers were not entirely satisfied with the results. On the whole, however, as good a service as was possible under the conditions and with the facilities available was rendered. Many factors contributed to the difficulty of performing a service of maximum efficiency, most of which were beyond the control of the department. I have hereinbefore touched upon the evils resulting from the charter of barges on a per diem basis and this practice had a serious effect on the towing service. It was my intention to

operate State towing tugs 24 hours raily. However many boatmen working under a charter stipulating a certain rate of pay per boat per day without specific reference to number of hours per day the barge should operate refused to navigate after nightfall and it became necessary to place the towing service on a 12-hour day basis. This, of course, practically doubled the time barges were in transit and was the cause of some dissatisfaction among shippers. I have also mentioned previously in this report the suspension of regulations that prohibited the entrance of craft of a certain type into canal waters. The appearance of boats of the New York Harbor type, flat deck scows and the like, not equipped with steering apparatus, resulting from the suspension of the regulation, presented a problem to the towing service. The tugs that were available and chartered by the department for the most part were small and not highly powered. While adequate for towing barges of the old canal type, when it came to the movement of larger barges they were utterly incapable of performing in an efficient manner. Six of the old type barges comprised a normal tow for one tug, while but two of the larger type boats could be safely handled by one tug boat and then only at an extremely slow rate of speed.

Labor conditions, furthermore, were distinctly unfavorable. Difficulty was experienced in obtaining competent and trustworthy crews and in many instances tug boats were out of service for a time, short some member of the crew while there were barges awaiting movement elsewhere. A fuel supply presented another problem. Time and again tug boats with their tows were detained because coal was not to be had. The State was not the only sufferer in this respect, for other canal carriers as well as industries experienced the same difficulty.

Moreover, the conditions cited operated to appreciably increase the cost of maintaining the service. An appropriation of \$200,000 was originally requested by shipping interests. The amount requested was predicated on the probable cost of tugs to be chartered, fuel, and other items and was based on experience of previous years. Your Honorable Body decreased the requested appropriation \$50,000 and it developed such amount was

insufficient Traffic developed in far greater volume than was anticipated and a larger number of tugs were required. The charter cost of tugs was also found to be much higher than in preceding years. Wages paid tug crews advanced sharply, in fact, nearly 25 per cent. Fuel that cost \$6.50 per ton in 1919 could not be obtained at a price less than \$10 per ton in 1920, and as high as \$16.50 per ton was paid in an emergency. So that, about the first of October the funds in my hands were seriously depleted and insufficient to continue the towing service until the close of navigation. I accordingly made request of your Honorable Body during the extraordinary session for an additional \$100,000 appropriation of which you granted \$75,000. My request for \$100,000 additional was made only after the most careful consideration of the requirements of the service and I was confident any lesser appropriation would not suffice. My judgment has proven correct for the season was closed with a deficit in the towing appropriation of \$13,000. This sum is due tow-boat owners for services of tugs and for fuel, supplies, and labor necessary in the conduct of the service. It represents moneys justly due citizens of the State and should be paid to them at the earliest possible moment. To care for this obligation, I have included the item as a deficiency appropriation in the annual budget of my department and urge that favorable consideration be accorded it.

I am satisfied, in the light of the season's experience, the appropriation of \$225,000 was justified. The department records show 1,325 barges were towed by the State tugs and approximately 175,000 tons of freight were carried. The revenue derived from the service aggregated \$70,000 so that inclusive of the deficit of \$13,000 the actual subsidy was \$168,000, or only 10 per cent. greater than previous years. Commerce on the Erie division of the system, to which the towing service was confined, increased 5.8 per cent. over the 1919 figure. The business enabled to move via the canals because of the facilities made available by the State towing service comprised the major portion of the increased Erie division tonnage and, without the State towing service this year, the record would have been less encouraging.

RECOMMENDATION FOR FUTURE

What policy should be followed by the State in the future with respect to subsidizing a towing service is a perplexing problem. Certainly the State cannot indefinitely continue the practice and equally as certain it is that the continuation of the practice thwarts the development of private towing lines. It appears a harsh decision must be reached. All interests are agreed that the maximum of success in the rehabilitation of canal commerce may only be achieved through the formation of strongly financed and well-equipped transportation corporations. No doubt exists in the minds of anyone that the day of the individual operator has passed. The question presents why prolong the regime of the individual boatmen by providing a towing service that alone enables them to continue in business? Decision must therefore be made whether the individual boatmen shall be finally wiped out as a factor in the canal transportation business, the equipment they control permitted to trade where it will and the business on the canals rebuilt from the very bottom, or whether from year to year appropriation shall be made to furnish means whereby these men may earn a living and serve the shippers of the State. Perhaps a solution is offered by the recent increased railroad freight rates. There should be no just opposition to the State furnishing a towing service at a rate that yields a revenue commensurate with the cost of operating the service or possibly at a profit. An opportunity may now exist to accomplish such a result. The State towing rates heretofore have been abnormally low, for the reason it was understood boatmen could afford to pay no more. Now that rail rates have so sharply advanced presumably canal rates will increase in the same ratio and the State in its towing service might be justified in charging a remunerative towing rate.

I have striven to persuade towing companies to enter the towing business on the State waterways. I have as yet no definite assurance from any source that a service will be inaugurated by private interests next year, although a few companies have exhibited interest in the matter. I urge upon my successor and your Honorable Body, therefore, the necessity of making known to the shipping public at as early a date in the new year as possible your definite decision on this question, so that those who may be

preparing plans for the utilization of the canals next season, will not be kept in suspense relative the State's policy and may make provision for their towing requirements if the State does not again undertake to perform the service.

ST. LAWRENCE CANAL PROJECT

Reference was made in my report to your Honorable Body for the year 1919 to a movement that had been initiated in the 65th Congress, fostered by western interests, to conduct an investigation as to what improvements were necessary to make the St. Lawrence River navigable to ocean going vessels between Lake Ontario and Montreal.

Throughout the year 1919, I had been tireless in my effort to excite the commercial and waterway interests of this State to a true realization of the futility and wastefulness of this project. I had opposed the plan at every point, contending that it was commercially futile, economically unsound and geographically absurd. I had shown that the concurrence of the Government of the United States in any scheme to canalize the St. Lawrence River would involve the expenditure by this government of millions of dollars. I pointed out to the shippers of the State that the people of New York State would be compelled to assume at least a third of the cost of construction apportioned to this country, and they would thereby largely contribute to the cost of construction of a waterway that would be competitive with the Barge Canal System. I maintained the New York canals were fully capable of caring for the commerce of the West and that the maximum utilization of the New York waterways would retain for domestic ports the commerce to which they were rightfully entitled and incidentally relieve the transportation situation of which Western interests complained and which was said to be the basis of their advocacy for an outlet to the sea through the St. Lawrence. The strength of the organization of the Western and Canadian interests advocating the scheme, and the weakness of the individual effort characterizing the opposition of New York, convinced me of the imperative necessity of concerted and forceful action on the part of the State, if its tremendous waterway investment was to be protected and its commerce conserved.

I therefore suggested the creation of an official commission to represent the State at hearings then being held throughout the country by the International Joint Commission and, as a result of this suggestion, such a Commission was created by an Act of Legislature and its members named by the Governor. The personnel of the Commission was as follows:

Senator L. W. H. Gibbs, Chairman; Senator James J. Walker; Assemblyman S. L. Adler; Assemblyman Charles D. Donohue; the State Engineer and Surveyor; the Superintendent of Public Works; M. L. Hulbert, Commissioner of Docks, City of New York; H. W. Hill, President New York State Waterways Association.

This Commission has attended all hearings held in the State by the International Joint Commission and has presented data and evidence to the International Joint Commission, supporting its opposition to the St. Lawrence proposal. Its members have attended waterway conventions elsewhere in the country, combating the propaganda of the St. Lawrence advocates and have succeeded in crystallizing sentiment throughout the Atlantic Seaboard in opposition to the proposal. The appropriation made to carry out the work of the Commission, however, is inadequate. When it is understood that the fourteen western States urging the construction of a ship canal through the St. Lawrence have contributed to a fund of over \$100,000 to advance the project, the \$5,000 appropriation made by New York State, which has more at stake than any other single state, is manifestly insufficient. Unquestionably, the St. Lawrence scheme is one of the most important matters confronting New York State to-day. The successful consummation of the plan will have a potent effect on the development of commerce and carriers on the Barge Canal. While I have no fear of the final outcome of the scheme, believing it is destined to be defeated in Congress, the State of New York must not be lulled into any false sense of security. The most vigorous and forceful opposition must be presented up to the very moment of the defeat of the plan and, to that end, additional appropriation enabling the Commission to fulfill its functions in an effective manner should be made by your Honorable Body.

The commercial interests, as well as the Congressional representatives and chief executives of every Atlantic seaboard and Gulf State should learn the truths of the St. Lawrence dream as New York interests understand them. Representatives of the State should personally confer with these interests for the purpose of convincing them by the presentation of indisputable facts that the proposal to make the St. Lawrence River above Montreal navigable to ocean-going ships is a chimera and that such funds as may be available in this country for the improvement of waterways should be expended wholly and solely on the modernizing and improvement of domestic canals, rivers and harbors.

NAVIGATION

CONDITIONS PREVAILING IN 1920

Navigation on the canal system was opened for the season on the following dates:

On the Champlain Canal and on the Cayuga and Seneca Canal at twelve o'clock noon of May 1st. The Erie Canal route from Troy to Schenectady was opened to commerce at twelve o'clock noon of May 1st, and the passage to Oswego via the Erie Canal to Three River Point, and thence via the Oswego Canal, was made available at twelve o'clock noon of May 5th. The Erie Canal for its entire length from Troy to Buffalo was opened to navigation at twelve o'clock noon of May 10th.

In addition to the improved channel, the following portions of the unimproved canal were made ready for use on May 15th: In the city of Rochester, from Pittsford to Lock 66, accommodating traffic from the east, and between the South Greece junction lock and the Lexington Avenue dam, for traffic from the west; the old channel between Waterford and the Hudson river at Albany, and all of the old canal in the city of Syracuse, including the unimproved Oswego branch northerly to Mud Lock. The portion of the old canal between Buffalo and Tonawanda also was retained in commission.

While the date for the official closing for the season of all canals had been fixed by public notice, for midnight of November 27th, it was December 13th before the last east-bound barges

laden with freight passed out of the canal channel at Troy, and to accommodate certain tugs and craft bound for Buffalo, the channel was retained in use on the Western Division until December 24th.

The maintenance of navigable conditions in the waterways at so late a date was most unusual. The record for the past year as to the number of days in which the waterways were available has not been exceeded in any previous season. It can by no means be regarded as a precedent. The extension of the navigation period was made possible only by the existence of favorable weather conditions. Little or no snow had fallen in the canal zone during the month, and the temperature was not sufficiently low to cause the formation of ice of any substantial thickness, excepting in the summit levels where the difficulty was overcome.

It has been the aim of the Department to maintain the canal and its structures in condition for commercial use to as late a date as may be physically possible, but the experience had in many years shows that, excepting in a few isolated instances, navigation on the State's waterways is dangerous after December 1st.

The opening of the Erie or main channel prior to the date on which it actually took place would have been of no avail, inasmuch as the waters of Lake Erie and the entrance at Buffalo were blocked by ice up to and including May 12th.

During the entire season perfect conditions almost constantly prevailed for the passage of boats. The detentions reported were few in number and brief in duration. On May 19th a collision of two Federal-owned vessels with the upper gates of Lock No. 3, at Waterford, damaged the structure to such extent as to cause a delay of 24 hours for the making of the necessary repairs; and on July 11th the breaking of the portal castings at Lock No. 17, at Little Falls, rendered the lock inoperative for practically the same period. The only other delays experienced by traffic were due to circumstances beyond the control of the Department. The excessive rains occurring about October 1st in the eastern part of the State occasioned such high water in the canalized Mohawk river and in the Hudson river in the vicinity of Mechanicville,

as to hinder to some degree the movement of boats on October 1st, 2d and 3d. On November 23d and 24th similar conditions existed, and traffic on the Mohawk river was partially suspended on those days.

For the first time the terminal harbor at Rochester was in use. By the construction of the dam at Court street the pool in the Genesee river was created, making it possible for boats to reach the terminal dock provided in that city.

CHANNEL LIGHTS AND BUOYS

During the past year nearly 100 additional channel lights were installed for the protection and guidance of navigation, making the total at present in place about 1,700. In the performance of this work the suggestions made by canal users were heeded, and where actual experience had shown the need of further equipment, the same was promptly supplied.

It is believed that the buoy system at present in existence on the canals is the most nearly perfect of its kind in the United States. With so great a portion of the route lying in canalized waterways, the efficient maintenance of an adequate system of channel markers is of the highest importance, and this branch of the Department's work has been given the most serious consideration by me. Realizing that however perfect the plant, its value would be impaired by careless or incompetent operation, I found it necessary to reorganize the entire buoy light tending service. Thirty-one areas were constituted, each averaging 10 miles in length. The buoy lights on each area were placed under the charge of a single employee, with the duty of patrolling his section daily and keeping in perfect condition each light under his care. In the making up of this force at the beginning of the 1920 season, I abandoned the practice theretofore in force of a haphazard selection of men from localities adjacent to the buoys to be cared for. With the approval of the Civil Service Commission the positions were placed in the competitive schedule of the civil service, and appointments made from the eligible lists established after open competitive examination. A motor boat was furnished each man, to be used solely in the performance of his duties.

The plan adopted has shown excellent results. The type of young men who are now in this service promises to the State conscientious attention to the work, and, as I believe, the most serious problem connected with this important branch of canal administration has been solved.

CANAL TERMINALS

During the past year, within the amount available for the purpose, splendid progress was made toward bringing the canal terminals to a state of completion. With few exceptions, the work remaining to be done has to do with the matter of equipment. Canal traffic had at its disposal splendid facilities for the handling of freight.

LOCATION AND EQUIPMENT OF NEW YORK CITY TERMINALS

At Piers 5 and 6, East River

Two piers with adjacent slips are available for use. On Pier 6 is situated a warehouse of modern type, 450 feet long and 50 feet wide, with a headhouse immediately adjoining, two stories in height, containing the New York city offices of the canal officials. On both sides of the warehouse, electric wharf cranes are in place, being especially designed for the transfer of heavy freight between the house and the boats. In addition, both piers are supplied with Byers auto cranes, tier lift trucks, freight handling trailers and trucks and other miscellaneous devices.

Pier No. 5 is an uncovered structure, 570 feet long and 70 feet wide. At all times during the year, the capacity of the terminal has been used to the full so far as the dockage of boats is concerned, and a large amount of freight has been received and shipped.

At West 53d Street, North River, Borough of Manhattan

This pier has a length of 700 feet and a width of 90 feet and is equipped with a warehouse 260 feet long by 50 feet wide. A headhouse for office purposes has also been erected some distance from the freight building. The whole structure has practically been completed and was put to some use during the season. A

small amount of work still remains to be done covering the pavement of a portion of the pier and the installation of heating and plumbing systems. Contracts for these improvements are under way.

At 138th Street, Mott Haven, in the Borough of The Bronx

At the present time, besides the dock structure, the equipment at this terminal consists of a brick building adjacent to the street and is available for the storage of freight. Some use already has been made of it. Contract for the construction of a permanent freighthouse has been awarded and the work is now in progress.

At the foot of North Jane Street, Long Island City, in the Borough of Queens

The dock and warehouse have been fully completed and were placed at the disposal of commerce early in the year. While traffic availed itself of the facilities offered to some extent, full utilization awaits the opening of a proper approach to the terminal from the land side. Negotiations to this end have been had with the city authorities.

The warehouse is 200 feet long by 50 feet wide. Freight handling machinery will later be supplied, of the type required by the nature of freight shipped and received.

At Dupont Street, Greenpoint, in the Borough of Brooklyn

Two piers are provided, upon one of which is located a warehouse 402 feet long by 50 feet wide, this structure being in addition to a storage building located in the rear of the terminal site. While the greatest use of the terminal facilities provided here has been in connection with the assembling of fleets of coal barges, the development of the ordinary freight traffic is looked for during the coming season.

At Gowanus Bay, in the Borough of Brooklyn

The work on the new pier was brought to completion late in 1920. A wooden freighthouse 160 feet long by 32 feet wide has been in place during the entire season. Contract for a permanent structure has been awarded and the completion of the new building will doubtless be seen before the opening of another season of navigation.

This locality has been made use of to a large extent for the mooring of boats, and a year ago the Department set it aside as winter quarters for canal barges. It is here that the first grain elevator for New York City will be constructed. Preliminary work is now under way. Special reference to this project will be found later in this report.

At Halletts Cove, in the Borough of Queens

Contract was awarded in 1919 for the work necessary to provide terminal facilities at this point, which work includes the dredging of a slip, the building of a dock wall and repairs to the existing bulkhead. It has not as yet been brought to completion.

At Flushing, in the Borough of Queens

The work of dredging the necessary terminal harbor and the building of a dock wall with a wooden freight house has been under way since 1919, but completion has not as yet been had.

LOCATION AND EQUIPMENT, OUTSIDE THE CITY OF NEW YORK

At practically all points along the line of the improved canal where indications existed as to the development of traffic in sufficient amount, terminal docks have been provided.

Below will be found a complete list of these localities with the equipment which may be found available at each. Where the name of the locality alone appears, a dock wall only has been provided.

Location	Type and size of warehouse	Freight handling machinery
Albany.....	Concrete and steel, 33 x 210....	15-ton hand steel derrick, 2-ton portable steam crane.
Amsterdam.....	Timber (2), 32 x 100.....	1-ton derrick, electric.
Brewerton.		
Buffalo.....	Timber, 32 x 200; concrete and steel, 80 x 500.....	Two 2-ton portable steam cranes.
Canaoharie.....	Timber, 32 x 50.....	1½-ton hand derrick.
Cleveland.		
Cohoes.		
Crescent.		
Fonda.....	Timber, 16 x 100.....	1½-ton hand derrick.
Fort Edward....	Timber, 16 x 30.....	1½-ton hand derrick.
Fort Plain.....	Timber, 32 x 100.....	1½-ton hand derrick.
Frankfort.....	Timber, 16 x 60.....	1½-ton hand derrick.
Fulton.....	Timber, 20 x 50.....	1½-ton hand derrick.
Herkimer.....	Timber (2), 16 x 100 and 20 x 33.	1½-ton hand derrick.
Holley.....	Timber, 16 x 30.....	1½-ton hand derrick.
Ilion.....	Timber, 16 x 60.....	1½-ton hand derrick.

Location	Type and size of warehouse	Freight handling machinery
Little Falls.....	Timber, 32 x 150.....	15-ton electric steel derrick, 2-ton portable steam crane, $\frac{1}{2}$ -ton hand derrick.
Lockport (upper)	Timber, 32 x 100.....	$\frac{1}{2}$ -ton hand derrick.
Lockport (lower)	Timber, 32 x 100.....	$\frac{1}{2}$ -ton hand derrick, 15-ton hand derrick, 2-ton portable steam crane.
Lyons.....	Timber, 32 x 50.	
Mechanicville...	Timber, 16 x 30.....	$\frac{1}{2}$ -ton hand derrick.
Medina.....	Timber, 24 x 70.....	$\frac{1}{2}$ -ton hand derrick.
Oswego (lake)....		$\frac{1}{2}$ -ton portable steam crane.
Oswego (river)...	Timber, 32 x 50.	
Plattsburg.		
Port Henry.....	Timber, 16 x 30.	
Rochester.....	Timber, 32 x 200.....	2-ton portable steam crane, 8-ton fixed steam derrick.
Rome.....	Timber, 32 x 200.....	15-ton electric steel derrick, $\frac{1}{2}$ -ton hand derrick, $\frac{1}{2}$ -ton conveyor.
Rouses Point.		
Schenectady.....	Timber, 16 x 100.....	$\frac{1}{2}$ -ton hand derrick, $\frac{1}{2}$ -ton portable electric conveyor, 2 2-ton portable steam cranes.
Schuylerville*		
Spencerport.....	Timber, 16 x 30.....	$\frac{1}{2}$ -ton hand derrick.
St. Johnsville.		
Syracuse.....	Timber, 32 x 200.....	Four 1-ton electric derricks, 2 2-ton portable steam cranes.
Thomson.....		One $\frac{1}{2}$ -ton electric package freight conveyor.
N. Tonawanda..	Timber, 24 x 100.....	15-ton hand steel derrick.
Tonawanda.....	Timber, 32 x 80.....	2-ton portable steam crane
Troy (lower)....	Timber (2), 16 x 50, 32 x 100...	Two $\frac{1}{2}$ -ton hand derricks, 2 2-ton steam cranes.
Utica.....	Timber, 32 x 200.....	Two $\frac{1}{2}$ -ton hand derricks.
Waterford.....		One $\frac{1}{2}$ -ton hand derrick.
Watkins.		
Weedsport.....	Timber, 16 x 30.	
Whitehall.....	Concrete and steel, 33 x 114....	15-ton hand steel derrick, 2-ton portable steel crane.

Railroad connections will be found at the following terminals:

At Erie Basin, Buffalo, with the New York Central Railroad Company;

At Rochester, with the Lehigh Valley Railroad Company;

At Syracuse, with the Delaware, Lackawanna & Western R. R. Co.;

At Schenectady, with the Delaware & Hudson Railroad Company;

At Troy, with the New York Central R. R. Co., and Boston & Maine R. R. Co.;

* The terminal at Schuylerville is located on a branch of the unimproved Champlain canal and is available only for the use of craft of the ordinary canal boat type.

At Albany, with the Delaware & Hudson Railroad Company;
and

At Oswego, with the Delaware, Lackawanna & Western Railroad Company.

ORGANIZATION FOR MAINTENANCE AND OPERATION OF TERMINALS

With the practical completion of the terminal project at an expense to the State of over \$19,800,000, the problem of organizing a maintenance and operation force was given most serious study. It was realized that not only must the property itself be cared for in an efficient manner but to the end that the shipping public might have the fullest use of the terminals, their management should be along practical business lines.

For the care and operation of the elaborate freight handling machinery, I assigned employees from other branches of the Department's work who had been appointed from the civil service eligible lists, and who had demonstrated their qualifications and fitness for the nature of the work now in hand. With these men as a nucleus, electricians and other skilled mechanics were secured as needed.

The method adopted for the management of the terminals is somewhat similar to that followed by the city of New York. One or more officials under the designation of harbormaster have been employed to remain constantly on duty during 16 hours of the day at each terminal. Such harbormasters are vested with authority to enforce the adopted rules and regulations. They are responsible for the State's property placed in their immediate care and are charged with the duty of seeing to it that the needs of traffic are served and the rights of all protected. At the head of the division of harbormasters is a chief, to whom all questions arising between the local harbormasters and the shipping public must be referred for decision, such chief harbormaster in turn being guided by instructions from the Superintendent of Public Works.

This plan of organization in its actual application has borne excellent results. Nearly all of the men making up the force had more or less experience in lines of work connected with water

transportation and this fact greatly assisted me in the State's new enterprise.

What I have said above refers particularly to the important terminals in the city of New York. To other terminals along the line of the canal, harbor masters also have been assigned, but as may be expected the volume of business done has not reached the proportions seen at the New York terminals.

CHARGES FOR USE OF TERMINALS

While under constitutional provision navigation of the State canals is free, it has been my opinion, as well as that of my immediate predecessors, that the inhibition as to fees did not apply to the terminal facilities which the State has furnished in conjunction with the waterways. Since section 15 of the Terminal Construction Act authorizes and directs the Canal Board to prescribe rules and regulations for the use and management of the terminals, it has been assumed that such rules and regulations may provide for payment to the State of reasonable fees by those who make use of the new docks and their facilities. At any rate, such policy has been followed.

At my recommendation, a partial schedule of charges has been adopted by the Canal Board, covering the use of terminals located in New York City and Buffalo. During the past two seasons, the use of other terminals has been free to canal users, it having been deemed wise in the efforts being made to develop canal commerce to hold such question in abeyance. It has been made plain however that the making of charges for all of the State terminals is in contemplation and at some future date a complete schedule of fees will be adopted. The handling of the matter of terminal charges in this manner seems to have been satisfactory to all interests and the charges made for the privileges available at the New York City terminals have been willingly paid by those making use of them.

The whole matter of terminal charges is one of the greatest importance. While the State offers to commerce a splendid water route for the transportation of freight from the Great Lakes to the sea without charge of any kind, it is but just that those who

avail themselves of additional facilities while making the passage should make reasonable return for the same, provided that the financial burdens thus imposed will not be too great. I realize that any charge made for terminal use will be reflected in the canal transportation rate and thus have an important bearing on the amount of traffic, but nevertheless it is only just that the canal terminals be made self-supporting and that the State be put to no expense for their upkeep and operation.

SUGGESTED AMENDMENTS TO TERMINAL ACT

The experience had by the department in one year's actual management of the terminals has shown the necessity for amendment of the Terminal Act, in order that the State's interests might be protected.

By section 15 of the statute (chapter 746 of the Laws of 1911), the Canal Board is authorized and directed to prescribe rules and regulations for the use of the terminals, which rules and regulations may be altered from time to time. It is further provided that such rules and regulations and the provisions of the act for the management, administration and control of terminals, shall be enforced by the Superintendent of Public Works.

Fairly interpreted, this provision of law would seem to definitely limit the authority of the Superintendent of Public Works. Although intended by the Constitution and the general canal law to have custody and control of the canal system of the State and of structures connected therewith, and in spite of the fact that he is primarily responsible for their maintenance and operation, he is distinctly limited in his management to the directions given him by the Canal Board. In enacting the provisions of section 15, I assume the framers of the measure had in mind the principle of establishing some method of control of the acts of the administrative official. As applied to broad matters of policy the application of such principle is most wise and is along the lines followed in nearly all the activities of the State government.

As it now reads, however, section 15 confers on the Canal Board sole authority in matters of detail. It deprives the Superintendent of Public Works of any direct power, and any action of his not based on a specific rule and regulation duly adopted by the Canal Board is subject to challenge by any interested party, and may be successfully resisted even if such action was absolutely necessary for the protection of the State's interests and its own property.

The management and operation of docks and wharfs, and the great warehouses connected with them, and the use of the elaborate freight handling machinery, is a new enterprise on the part of the State. As referred to above, it is not practicable for the Canal Board to adopt such rules and regulations for the management, administration and control of terminals as will cover all contingencies. Especially with reference to New York harbor conditions which are constantly changing, and with due regard to the State's policy of canal maintenance along liberal lines, the Superintendent of Public Work should be placed in position to meet the situation at all times and to administer the affairs connected with the terminals in a manner that will be for the State's best interests.

I therefore recommend that consideration be given to the amendment of section 15 of chapter 746 of the Laws of 1911 in such manner as will vest in the Superintendent of Public Works authority to take all necessary action with respect to the terminal property as the State's interests may require from time to time without awaiting the convening of the members of the Canal Board to consider the subject in hand. It is not in my mind to suggest the removal of the terminals entirely from Canal Board jurisdiction, but merely to place some original power in the hands of the Superintendent of Public Works to enable him to cope with contingencies frequently arising.

The act should be amended further by making provision for some method by which penalties may be imposed upon those violating the rules laid down for the use of the terminals or refusing to comply with directions given by the Superintendent of Public Works or the harbormaster. Occasions already have arisen

where the need of some power such as this was apparent. Full benefits cannot be had from this great plant without an orderly conduct of affairs connected with it, and the rules adopted will be of little avail unless means are at hand to punish those who disregard them. In my opinion, your Honorable Body should consider the enactment of a law which would confer upon the Superintendent of Public Works authority to impose penalties on offenders, and that the amounts of such penalties should be recovered by the Attorney-General in an appropriate action or proceeding instituted in the name of the State of New York in any court of competent jurisdiction.

Another serious defect in the statute is the lack of authority, as I understand it, on the part of the Superintendent of Public Works, to remove or cause to be removed from any terminal site any vessel, sunken or afloat, whose presence hinders the full and proper use of the terminal, or constitutes a menace to other craft. In order that the State might be put to no loss in the taking of such action, any expense incurred in such removal work should be made a charge against the owner of the boat so removed, and the amount should be collected from such owner by appropriate legal proceeding; and in the event that the owner of the boat so removed was unknown, or failed to claim the same, the State should have authority to sell the same to the highest bidder and reimburse itself for the cost of the removal work.

I also recommend that a similar provision be included in the statute covering freight or property placed or stored on any terminal pier or any warehouse and which the owner refuses or neglects to remove after due notice, or which may be unclaimed or abandoned.

REVENUE SECURED

Already the terminals located in the city of New York have been placed on what will not only become a self-supporting basis, but will secure to the State a surplus as well. In addition to the ordinary fees imposed for the dockage of boats, permission

has been granted for the temporary storage of freight in the various warehouses, and monthly rentals received therefor.

Another source of financial return has been the use of certain of the terminal sites by steamers of the larger size. I am fully aware that the terminal docks constructed by the State in New York City were primarily intended to facilitate and develop commerce on the improved canal system, and for the handling of freight destined to or bound from the canals. Nevertheless pending the development of such amount of canal traffic as would require the use of all such terminals, I deemed it unwise and contrary to the State's best interests to permit the structures to remain idle when the general interests of commerce in and about New York harbor demanded some use of them. In accordance with this principle, where space has been available at several of the New York City terminals, with the approval of the Canal Board I have permitted the docking of steamers on payment of the fees fixed in the adopted regulations. Such permits, however, and in fact all of those issued by the department, are strictly revocable in their nature, and at all times the department has been in position to provide for the necessities of purely canal traffic as they appear.

During practically what was the first year of terminal operation, the revenue derived from the terminals located in the city of New York for the twelve months ended December 1st was \$79,808.80, of which the sum of \$74,221.71 covered fees collected for wharfage, and \$5,587.09 considerations for the issue of permits authorizing the use of the freight handling machinery and storage in the warehouses. With the business rapidly developing, the continuation of the present policy is certain to make the whole terminal project not only self-supporting but provide a fund for future betterments.

So far as the terminals at Buffalo are concerned, the permits already granted for use during the closed season of the Erie Basin dock will net the department the sum of \$1,500.

ADDITIONAL IMPROVEMENTS DESIRABLE IN CONNECTION WITH NEW CANAL AND ITS TERMINALS

Without intending any disparagement of the canal and terminal systems as they now exist, or attributing to them any defects which would prevent their profitable use by commercial enterprises, the fact remains that to carry out to the full the purposes had in mind when the great projects were undertaken, much remains to be done. It is true that a splendid channel has been made available for commerce. It is equally true that to a considerable extent the demands of transportation interests for dockage facilities have been met. The moneys already devoted by the People to the great enterprise, totaling upwards of \$154,000,000, have been well spent and the value of the work done is apparent to all.

In spite, however, of all that has been accomplished, it has become apparent to those who have devoted years of study to the subject that facilities for the handling of grain and coal must be provided if the canal is to take its place as a great transportation instrumentality. It also has been urged that many localities along the Hudson river and on the line of the canal itself have been neglected, so far as terminal improvements are concerned, and these places deserve serious attention, not only by reason of their importance but also on account of the prospect of business to be derived.

This question has received much attention from the commercial organizations of the State. Many conferences were had not only as to the policy which should be suggested to the State, but also with reference to the nature and location of the further improvements desired. After a thorough discussion at public meetings, at which representatives of commercial and civic bodies throughout the State were present, it was determined to submit to the Legislature a proposition calling for a further issue of bonds. The slogan "Finish The Job" was adopted, and following an enthusiastic meeting held in the city of Albany in March last, a program of action was adopted which resulted in the introduction in the Senate on April 8, 1920 of the bill known as Introductory No. 1530.

This measure authorized an issue of bonds in an amount not to exceed \$33,000,000 to provide funds for the following purposes:

For the construction of a grain elevator —

At Buffalo	\$1,600,000
At Tonawanda	1,000,000
At Oswego	1,000,000
At Gowanus Bay (Borough of Brooklyn, City of New York)	2,400,000

For the construction of coal transfer terminals—

At Ithaca	1,250,000
At Watkins	1,250,000

For the construction of canal docks and terminal facilities on the Hudson river —

At Poughkeepsie	400,000
At Kingston	700,000
At Newburgh	600,000
At Hudson	300,000
At Yonkers	500,000

For completing the terminal improvement work already begun —

At Erie Basin and Ohio Basin Terminals, Buffalo	2,500,000
At Rochester	1,400,000
At Syracuse	650,000
At Utica	450,000
At the city of New York	3,500,000

For providing terminals at municipalities not specifically mentioned, and for furnishing at all terminals suitable coal and freight handling devices as may be necessary

1,000,000

The remaining portion of the proposed bond issue, namely, \$12,500,000, was intended to cover the cost of meeting obligations already incurred by the State in connection with damage claims arising from the work performed under the so-called Barge Canal and Terminal Acts, it having been found that the balance remaining in the funds applicable to those projects will be insufficient to pay the anticipated awards on unsettled claims. Many of these claims are now in litigation, and the amount of recoveries

will remain undetermined until the final decisions of the court have been rendered. Based on past experience in dealing with claims of this character it is believed that the sum named will be needed to discharge the State's legal obligations.

While Senate Bill Introductory No. 1530 was not enacted into law, appropriations were made by which a beginning of the work outlined in the program was made possible. As I understand it, the pendency before your Honorable Body of a proposition authorizing the issuing of bonds for another purpose made impossible favorable consideration of the whole canal improvement project. I now earnestly invite your serious attention to it.

The making of provision to meet the State's legal obligation with respect to pending claims of course must be admitted, but it is of equal importance that the State shall not waver in its policy of waterways improvement. The immense investment already made must be protected. The job should be finished. With so much already accomplished, and with the realization of the ultimate object of the canal improvement in sight, it would be a direct reversal of the century old policy of the State to withhold from its waterways the moneys needed to render them an efficiently working commercial plant. Never in the history of commerce has the need of water transportation been so great, and never was the success of any venture more assured.

Although the movement to fully complete the canal and terminal improvements had its source in the demands of the various municipalities of the State backed by the important commercial organizations, and it was through their efforts that the subject was presented in concrete form a year ago, I take this occasion of officially submitting the necessities of the matter to you, adding to the appeals already made, my own official endorsement, "*Finish the Job.*"

CONSTRUCTION OF TWO GRAIN ELEVATORS AUTHORIZED

While as I have stated above, the proposed referendum providing for further extensive canal construction work was not adopted at your last session, your Honorable Body recognizing the importance of the matters covered by it, enacted Chapter 698

of the Laws of 1920, which authorized the construction and equipment of Barge canal grain terminals at Gowanus Bay in the city of New York and at Oswego. The execution of contracts for the former structure was authorized to the extent of \$2,500,000 and for the latter of \$1,000,000. To permit of the commencement of actual operations, the sum of \$550,000 was made available for the work at Gowanus Bay and the sum of \$225,000 for that at Oswego.

Contracts for foundations for both elevators already have been let and the work is now under way. With the practical completion of the plans and specifications for the entire structures, the department will be in position to award the remaining contracts early in the present year, thus making necessary the appropriation at this legislative session of the balance in the total of the authorization. I therefore recommend that such action be taken in order that the grain elevators at Gowanus Bay and at Oswego may be available for the actual use of commerce during the season of 1922.

So great has been the interest displayed in these projects, that the breaking of ground for the foundations of the two elevators was not allowed to go unnoticed. On November 12th at Brooklyn, and again on December 16th at Oswego, there were gathered at the respective sites officials of the State and nearby municipalities and representatives of commercial organizations and canal transportation companies to take part in the first steps in what is considered a project second only in importance to the enlargement of the canal. In the addresses delivered, prophecies of the splendid results to follow were freely made. On both occasions, to the State Engineer and Surveyor and myself, was accorded the honor of actually breaking ground for the first grain elevators ever authorized and contracted for by the State of New York.

ADDITIONAL TERMINAL EQUIPMENT AUTHORIZED

As a further step toward carrying into effect the recommendations of the canal authorities and the commercial organizations of the State, there was also appropriated at the 1920 session, the sum of \$1,850,000 for the continuation of the work of constructing canal terminals and furnishing facilities for traffic. Chapter

402, which made such moneys available, directed that of the total named, the sum of \$600,000 should be devoted to necessary improvements at Buffalo; the sum of \$500,000 at Rochester; and the sum of \$750,000 in the city of New York.

With the expenditure of those amounts, it is expected that the terminal facilities in the municipalities named will be complete. Some of the additional work already has been placed under contract and plans and specifications for the remainder are being hurried to completion.

EQUIPMENT FOR MAINTENANCE AND OPERATION

To carry on the extensive work connected with the upkeep of the canal system, it is obvious that plant, machinery and tools of modern type are essential. Until such equipment is provided, the department must of necessity depend on the use of outside agencies for much of the work at necessarily large rentals. In line with good business principles, the department should be supplied with such plant as the maintenance work requires.

Some of the more important requirements are as follows:

FLOATING PLANT

The first and most important need is for three dredging outfits, one to be assigned to each division of the canal. The channel being located for much of its way in silt bearing streams, constant dredging operations must be conducted to secure and maintain the required boating depth. The use of hydraulic dredges is recommended and of course these units must be supplied with necessary accessories such as scows, pontoons, pipes and similar incidentals.

New tugs and steamers of a modern type are also badly needed. Their need is constant during the navigation season and especially in connection with the installation and removal of buoys during the spring and fall of each year. As a beginning, at least one steam tug should be purchased for each of the three divisions.

In the way of supplying what are known as derrick boats, the department has made some progress. Using to a considerable extent material already on hand, three such craft have been constructed.

On the Middle Division, the plant was fully completed and all necessary operating machinery installed, the unit becoming ready for use near the close of the season. The progress made on the Western Division boat consisted only in the building of the hull, lack of funds making impossible the installation of the necessary mechanical equipment. It is desirable that the machinery be installed in this craft next spring, and request for the appropriation of sufficient moneys to purchase boiler and engines, derricks and other accessories has been included in my budget for the coming year.

The derrick boat recently completed for use on the Eastern division is worthy of special mention. A hull constructed of long leaf yellow pine 110 feet by 33 feet with $8\frac{1}{2}$ foot sides has been equipped with two 50 horse power boilers, four engines, a steam winch and a 6-inch pump. At one end of the boat, a steel Δ frame is in place, complete with fittings and all appurtenances and possessing a lifting capacity for a height of 31 feet or at least 80 tons. At the other end of the craft, a ten-ton derrick with 15-ton fittings and a 70-foot boom has been erected. This apparatus has been so arranged as to pass conveniently under canal bridges. Living quarters for a crew of six men also have been provided. The whole unit is supplied with a modern electric lighting system. Its use will be effective for many purposes. It is admirably adapted for the raising of sunken boats and the salvaging of their cargoes. Its design is such that work of that kind can be performed quickly and at a minimum of expense. With the use of the Δ frame, repairs to locks will be simplified. It is installed in such manner as will permit of the lifting of a damaged gate from its recesses and as conveniently will replace it. Its presence on the canal fills a long felt want.

NEW REPAIR SHOPS

The need of new and larger shops at various points on the canal line is apparent. More necessity exists now than ever for such shops in that the operating machinery of the locks and lift

bridges will need replacement and renewal and this work should properly be done by State forces. The exact type of machinery required for repairs is not always available in outside agencies.

Modern shops must be provided in the near future for each of the three divisions. The use of the existing buildings at Syracuse and Rochester has been seriously impaired; in the one case the present site is at too great a distance from the new canal, and in the other, a portion of the repair site has been set aside for other purposes.

DRY DOCKS

No practical commercial waterway may be deemed complete without dry dock equipment. The value of the craft plying the waterway and the loss which would occur if their progress is unduly delayed, is so great that means should be conveniently at hand to make prompt repairs to a damaged vessel. Such structures should be in place at Waterford, Little Falls or vicinity, Baldwinsville, Oswego, Rochester and Lockport.

EQUIPMENT FOR LOCK PROTECTION

Although several seasons have passed without serious detention to navigation on account of damaged lock gates, the danger of such accident is always imminent. I believe that the preservation of the lock structures from serious injury has been accomplished only through the exercise of the greatest vigilance on the part of those assigned to their care. Nevertheless, it is the part of wisdom that the department should be placed in position to deal with any serious conditions that may arise. The method of making quick repairs to a damaged lock gate has received careful study. Attempts have been made to devise in advance of emergencies some plan of operation. According to the studies thus far made, it appears that the most effective method of insuring against navigation delays would be the construction in front of the upper and lower gates of a type of guard gate similar in kind to those already in place at Seneca Falls and Waterloo. Such guard gates would serve a double purpose. Should a lock gate be injured so badly as to prevent its use, the guard gate may be

utilized in its place, and, in addition, it would be of great assistance in unwatering the lock chamber for the making of repairs. It is true that the cost of installing 114 structures of this type would be large but the ultimate benefit to be secured would justify the expenditure.

IMPORTANT CANAL REPAIRS PROGRESSED

During the year just past, extensive dredging operations were found to be necessary to provide and maintain the statutory 12-foot depth of water in the canal channel. While the department's dredging plant was utilized to the utmost extent, the amount of work involved was so large that the employment of outside agencies was necessary. The localities in which the greater portion of the dredging operations were conducted included almost the entire length of the Champlain Canal; many parts of the canalized Mohawk river; at Herkimer, where a large section of the bank had slid into the channel; easterly of Oneida Lake; and throughout the Wayne county section.

A large amount of riprap protection was placed along the banks of the Mohawk river and the Upper Hudson. Tenawanda creek also was found in need of improvement of this kind. While all of the work desirable to be done was not accomplished, such progress as was possible with the funds at the department's disposal was made.

As stated elsewhere in this report, upon the taking over of the maintenance of the old Scotia toll bridge, the piers were found to be undermined and the safety of the structure was threatened. Work to reinforce the bridge was at once undertaken and progressed to completion, and extensive repairs to the flooring were made.

The repair of the damage done to the movable dam across the Mohawk river adjacent to Lock No. 8 at Scotia was continued. Serious conditions were found to exist here owing to the action of the water on the foundations.

The approaches to the bridge over the Glens Falls feeder between Glens Falls and Hudson Falls, together with the roadway, were widened and the dangerous situation which had existed for many years was relieved. The work done by the department

rendered unnecessary the building of an entire new structure as had previously been planned.

The above instances are but a few of the important repair jobs which were conducted during the year just closed. The regular repair forces were constantly busy at all times making betterments and improving navigable conditions where necessity for same was found to exist. The splendid condition of the whole canal system at this time bears witness to the character and extent of the labors expended.

SCHENECTADY-SCOTIA BRIDGE

APPROPRIATION OF MONEYS IMMEDIATELY NECESSARY

The work of constructing a bridge across the Mohawk river and the Barge Canal to take the place of the existing Schenectady-Scotia toll bridge, as authorized by Chapter 735 of the Laws of 1917, as amended by Chapter 634 of the Laws of 1919, was gotten well under way during the year just past.

As stated in my report of a year ago, the lowest bidder for the first contract, covering the construction of the abutments and approaches, declined to execute the necessary agreement and bond on the ground that the award of the same had been too long delayed, and upon such refusal the sum deposited with his bid was declared forfeited to the State.

The work was again advertised and in February, 1920, the contract for constructing the abutments and approaches was awarded to Dubois Bennett & Son of Schenectady, for the sum of \$234,593. Operations were at once commenced and much progress has been made.

The award of the first contract was made possible by the fact that the cost of the greater portion of the work involved was, under the statute, to be borne by the city of Schenectady and the village of Scotia, and the necessary funds had been deposited with the State. To meet the State's share of the cost, moneys were available from the canal bond issue.

By the provisions of the act, the entire cost of constructing the river piers is made a State charge. Although in February last, the plans and specifications for that portion of the improvement were completed, the department was not at that time in position

to ask for bids because of the fact that the unobligated balance in the sum set aside from the proceeds of the canal bond issue was insufficient to meet the estimated cost of the second contract, and the Legislature had made no direct appropriation for the purpose from the general fund.

I thereupon presented the facts to the Finance Committee of the Senate and the Ways and Means Committee of the Assembly and requested that appropriations of moneys be made pursuant to the provisions of Section 8 of Chapter 634 of the Laws of 1919, which directed that for the purposes of the improvement "a sum not to exceed \$891,000 shall be hereafter appropriated from the general fund." I pointed out that since a State officer was forbidden by Section 35 of the State Finance Law to "contract indebtedness on behalf of the State or to assume to bind the State in an amount in excess of money appropriated or otherwise lawfully available," I was without power to proceed further with the work unless legislative action was taken.

To meet this situation, and at the same time to avoid the appropriation of a large sum of money which would not actually be needed during the current year, your Honorable Body enacted Chapter 613 of the Laws of 1920, amending the section of the Finance Law referred to above, by providing that it

"shall not apply to a case where a statute expressly authorizes the making of a contract or contracts for a stated maximum amount which exceeds the money appropriated or otherwise available for payments thereon."

Pursuant to this authority, and in spite of the fact that moneys were not in hand to meet the total estimated cost of the work, the contract for the river piers was duly advertised and in July, 1920, with the approval of the Canal Board, was awarded to the American Pipe and Construction Company of Philadelphia, Pa., for the sum of \$961,963. The work is now under way.

Plans and specifications for the third contract which will provide for the building of the bridge superstructure are nearing completion and the department will be in readiness to ask for bids early in the coming year. According to the present estimate of cost, the sum of \$1,105,000 will be needed for this branch of the improvement.

The following statement will give the present status of the whole matter from a financial standpoint:

Set aside from canal bond issue.....	\$500,000
Contributed by County of Schenectady for general purposes	100,000
	<hr/>
Total	\$600,000
Obligated for Engineering and supervision	\$50,000
State's share of cost of first contract covering abutments and approaches (charged to Canal Bond Issue)	85,840
	<hr/>
	135,840
	<hr/>
Available for further contracts.....	\$464,160
	<hr/>
Obligations incurred under second contract for river piers	\$961,963
Amount available	464,160
	<hr/>
Additional amount needed to meet demands under second contract	\$497,803
Estimated amount needed to pay for construction work under third contract during 1921, based on present estimate of cost.....	300,000
	<hr/>
Amount needed to be made immediately available	\$797,803
	<hr/>
or in round figures	\$800,000
	<hr/>

In the above statement, no mention has been made of the sum of \$211,000 contributed by the city of Schenectady or the sum of \$50,000 received from the village of Scotia for the reason that these sums are applicable to payment for work done under the first contract, the figures for which are not above included.

Therefore, to meet the obligations of the State already incurred in connection with this project and to carry on the work during the coming year, an appropriation of \$800,000 must be immediately made from the general fund.

NECESSITY FOR AMENDMENT OF ORIGINAL ACT

A year ago I called your attention to certain provisions of the law authorizing the improvement, with which it was not in the power of the Superintendent of Public Works to comply. I referred particularly to Section 1 of the Act, as amended by Chapter 634 of the Laws of 1919, in which the Superintendent of Public Works is authorized and "directed" to enter into the necessary contract or contracts for the construction of the bridge and its abutments "for an amount not to exceed in the aggregate \$1,734,000." This total is to be made up of moneys contributed by the county of Schenectady, the city of Schenectady and the village of Scotia, the balance to be paid by the State. Of the State's share, the sum of \$500,000 is diverted from the Barge Canal moneys and the remainder is to be hereafter appropriated by the Legislature from the general fund.

While mandatory in its provisions regarding the type and dimensions of the proposed structure, the law is specific as to the total cost to the State in that in Section 8, as amended by Chapter 634 of the Laws of 1919, it provides that

"The aggregate cost to the State of the construction of the improvement described in this act, exclusive of the amount to be paid by the city of Schenectady, county of Schenectady and the village of Scotia shall not exceed \$1,391,000, of which not more than \$891,000 shall be hereafter appropriated from the General Fund."

Since the estimate on which the amounts named in the act were based was made up more than two years ago, and since considerable advances in the price of labor and materials have been seen since that time, it was inevitable that the total cost of the bridge would considerably exceed the limit fixed in the statute. In calling this matter to your attention, I pointed out the fact that a situation might prevail under which the Superintendent of Public Works would be faced with an apparent violation not only of the act providing for the construction of the bridge, but the provisions of the State Finance Law as well, and that with the uncertain conditions which have prevailed in industrial fields a direction to a State officer to carry forward to completion an

improvement of so great a magnitude as this should not be coupled with a limitation as to the aggregate cost, based on an estimate made so long ago.

While the State Finance Law has been amended to cover the circumstances, the limitation in the authorizing statute still remains. With but two of the contracts under way, it is already certain that the structure cannot be completed within the specified amount.

Therefore, I renew the recommendations made by me a year ago that the provisions of the act authorizing the construction of the bridge be amended by striking from it the definite limitation as to cost, or in such other manner as in your opinion will remedy from a legal standpoint the situation as it is now known to exist.

ACQUISITION OF TOLL BRIDGE BETWEEN SCHENECTADY AND SCOTIA

As part of the proceedings looking to the construction of the bridge over the Mohawk River between Schenectady and Scotia, provision was made in Chapter 735 of the Laws of 1917 for the acquisition by the city of Schenectady of the old toll bridge spanning the river between that city and the village of Scotia, and owned by the town of Glenville. Under Section 11, upon the payment by the city of Schenectady to the town of Glenville of the required amount, it was provided "that legal title and sole ownership of the said bridge and the privileges and appurtenances thereto shall be forever vested in the State of New York, subject however, to any legal and vested rights or franchises, if any, not owned by said town." With the conclusion of all proceedings connected with such purchase, title to the old toll bridge was in the latter part of March, 1920, vested in the State of New York, and its maintenance and repair placed under the direction of the Superintendent of Public Works.

On an examination of the old structure, its condition was found to be bad and even dangerous. Not only was the flooring in need of renewal, but the bridge piers themselves were undermined and the safety of the whole structure was threatened. Since the bridge

is located on the main highway to the west and carries an enormous amount of traffic, the necessary repairs were immediately begun by department forces and thus far the sum of \$50,733.83 has been expended.

Under the law the bridge must be maintained until the completion of the permanent structure. This is a distinct extension of service on the part of the department. The transfer of the bridge and its custody taking place at the close of the legislative session and the condition of the structure being unknown prior to that time, the necessity of performing the work was not realized when the requisition for departmental appropriations was made. The expenditure of the large sum referred to above, therefore, has made necessary a request at this time for a deficiency appropriation of like amount.

HUDSON BRIDGE

Since the custody and maintenance of this structure was assumed by the department in 1919, needed strengthening and repair work has gone forward almost constantly. The bridge being one of the most important in the State, its maintenance in good condition for use is of the highest importance.

It was found desirable to replace the wooden track stringers with iron stringers existing in the upper deck, to rearrange the steel stringers in the floor beams, install new stringers where necessary, provide wood block pavement on creosoted plank for the roadway and to generally reinforce the superstructure.

The appropriation of \$50,000 made a year ago was not sufficient to cover all the work that must be done. Progress has been made to the extent of the funds available, but a further appropriation of \$140,000 has been asked for use during the coming year. The painting of the structure is also planned.

Under the terms of the agreements existing between the State and the railway companies operating cars across the river at this point, the total revenue for the 12 months ended December 1, 1920, received by the department was \$25,109.03.

IMPROVEMENT OF APPROACHES TO HUDSON BRIDGE

The improvement of the approaches to the Hudson Bridge at both the Albany and Rensselaer sides was authorized by Chapters 585 and 586 of the Laws of 1920, the appropriation for work at the eastern end being \$40,000, and that for the western approach \$35,000. Both acts provided for the acquisition of certain property by the cities of Albany and Rensselaer and the transfer of title of the same to the State.

Although the plans and specifications for the work have been completed, no action has been taken toward awarding the contract inasmuch as the legal matters connected with the matter of property transfers have not as yet been concluded. It is expected that the department will be in position to advertise for bids on the work in the early winter.

CONGRESS STREET BRIDGE BETWEEN TROY AND WATERVLIET

Pursuant to the provisions of Chapter 246 of the Laws of 1920, as Superintendent of Public Works I took possession on May 24, 1920, of the property known as the Congress Street Bridge spanning the Hudson River between Troy and Watervliet, and in accordance with the statute declared such bridge to be a free bridge and a part of the State highway system.

The taking over of the bridge, which was the last structure in the vicinity of Albany and Troy on which tolls were charged, was an event of much importance from the standpoint of the localities affected. There were present at the time the overnor and other State officers, officials of nearby municipalities, representatives of civic organizations and many citizens. Simple ceremonies were held and addresses made by the Governor and other officials.

With the transfer of the structure to the custody of this department, a permanent organization for its maintenance and operation was at once planned. Open competitive examinations were held for the positions to be filled and appointments were made from the Civil Service eligible lists duly established.

Under existing agreements, the revenue to be received by the State for the use of the bridge by the trolley company will be \$10,000 annually.

TWELFTH STREET BRIDGE BETWEEN TROY AND COHOES

On the night of March 4, 1920, the structure locally known as the Twelfth Street Bridge, spanning the Hudson River between Cohoes and Troy, was almost entirely destroyed by fire, the three middle spans partially dropping into the river.

At the time the fire occurred, the breaking up of the ice in the river seemed imminent and much concern was felt as to damage from flood should fresher conditions prevail and a gorge form. The fallen spans had lodged in the channel in such a manner as to constitute a strong dam and it was feared that should the river ice break up with such obstacles in place, the damage to adjoining property from the resulting high water would have been most serious.

The bridge was formerly owned by the Cohoes-Lansingburgh Bridge Company and was acquired by the State under authority of Chapter 547 of the Laws of 1913, which act appropriated the sum of \$100,000 as the State's share of the cost of securing title. The proceedings taken were in accordance with the State Highway Law, which provided that upon acquisition of any toll bridge the same should be maintained at the expense of the city or cities within which it is situated. Since its acquisition by the State, the bridge had been maintained at the expense of the cities of Troy and Cohoes.

Immediately following the fire and when the dangers of the situation were realized, insistent demands were made upon this department by public officials of the counties of Albany and Rensselaer and of the cities of Troy and Cohoes, that action at once be taken to clear away the debris. Notwithstanding the fact that the structure was not under my jurisdiction, I directed that the work of clearing the channel be commenced by my department forces in order that the impending disaster might be averted, it appearing that no other agency had immediately available the necessary facilities. Due to conditions existing at the time, the operations were of a hazardous nature, but fortunately the removal of the debris was quickly accomplished without serious accident. Later, those parts of the structure which had fallen to the bottom of the river and menaced navigation were

removed. The cost of the work done by the department amounted to \$8,876.21, and was paid from funds provided for ordinary canal repairs. Request for a deficiency appropriation to cover this expenditure has been included in my budget recently submitted to you.

With the bridge destroyed, no means of crossing the river between Cohoes and upper Troy were at hand, and to meet the situation your Honorable Body enacted Chapter 907 of the Laws of 1920, providing for the building of a new structure, the cost to be borne partly by the State and partly by the counties of Albany and Rensselaer. Plans and specifications for the new structure have not been completed and it is unlikely that actual construction work can be begun in the near future.

To temporarily supply a crossing of the river between the two cities the department was again appealed to. With the approval of the Canal Board, the construction of a footbridge was begun and this work is now nearing completion. This structure will be maintained until the permanent bridge has been completed.

CONDITION OF CANAL BRIDGES

The necessity of maintaining in a safe condition for traffic all bridges spanning the canal is apparent. Many of them are located on main arteries of travel and are subjected to enormous use. It is a matter of common knowledge that the extent and nature of highway traffic has changed during the past decade. Where previously loads did not exceed in weight more than three or four tons, a ten-ton motor truck loaded to capacity is at present not uncommon.

Where possible, bridges under suspicion of weakness have been strengthened and reinforced, but in many cases the structures are of such type that they cannot be made adequate for present day demands without entire rebuilding. Signs warning the public as to the limited capacities of the various bridges have been posted and in some cases attempts have been made to forbid their use by excessive loads. This, however, cannot be deemed as fairly meeting the situation. The State is under legal obligation to provide structures that will safely carry highway traffic over its

canals and in some cases where accidents have occurred substantial recoveries have been had by those damaged.

This is a subject which has been presented to your consideration in previous years. No longer should the cost involved be permitted to delay the replacement of inadequate crossings. Sufficient appropriation should be made to permit the department to deal effectively with the problem. I give you below a list of bridges whose condition, according to the reports which I have received, requires their entire rebuilding:

Broad Street Bridge, Waterford.
Stanwix Street Bridge, Rome.
Hillside Change Bridge, Black River Canal.
Diefendorf Bridge, Black River Canal.
Baker Bridge, Black River Canal.
Hall Farm Bridge, Black River Canal.
Main Street Bridge, Port Leyden.
Notre Dame Street Bridge, Fort Edward.
East Street Bridge, Fort Edward.
Pearl Street Bridge, Hudson Falls.
Bridge over Wappingers Creek, at New Hamburg, Dutchess County.

GLENS FALLS FEEDER

On November 14th, underground leakage in the Glens Falls Feeder, which seemed to have existed for a considerable period undiscovered, developed to such extent as to cause serious damage to the waterway. Leaks at seven different points in the feeder appeared simultaneously, permitting practically the entire flow to pass underneath the towing path and over adjacent property. The use of the feeder was made impossible and as a result the supply of water to the summit level of the Champlain Canal was practically shut off. The situation was all the more serious by reason of the fact that it occurred during the last month of the season when many boats laden with freight were hurrying to destination.

In addition, the approach wall of the bridge carrying the highway over the feeder between Glens Falls and Hudson Falls was badly undermined, necessitating the suspension of highway traffic in the interests of safety.

Although the performance of the permanent restoration work at that time was not practicable, the forces of the department immediately undertook such temporary repairs as would result in permitting the flow of water through the feeder and as well make possible the use of the highway bridge. Both objects were promptly accomplished and so far as navigation was concerned on the Champlain Canal, little or no inconvenience was suffered by reason of a lack of boating depth.

The whole situation along the Glens Falls Feeder is a serious one and has been the subject of consideration for some time. It is apparent that during the past several years a gradual settling of the banks has taken place and the leakage has been growing in volume. Where possible with the funds available, repairs have been made from time to time, but to effect any permanent improvement, work of an extensive nature is necessary. The waterway is an integral part of the canal system and although some traffic exists upon it, its chief mission is to afford a supply of water to the improved Champlain Canal. Without it, the maintenance of navigable conditions would be impossible. A complete repair of the feeder must be accomplished before the opening of another season of navigation and I recommend that the sum named in the Department's requisition be immediately appropriated for that purpose.

IMPROVEMENT OF FULMER CREEK

Chapter 904 of the Laws of 1920 appropriated the sum of \$25,000 for the improvement of Fulmer Creek at Mohawk, in Herkimer County, the work to be done under the direction of the Superintendent of Public Works by contract or by department forces, whichever method seemed for the best interests of the State. The act provided that the proposed improvement should be accomplished "by extending the present concrete wall on such creek to Minnow creek and by removing from the creek channel between the canal aqueduct and Minnow creek, such debris, silt and other obstructions to the flow of water that may exist therein."

An examination of the existing conditions showed the impracticability of performing the work in the manner specified. The cost of extending the present concrete wall to Minnow creek

was found to be large, and even had it been possible to secure the necessary consents of property owners, it was seen that the existence of such extended wall would result in greater damage to property on the opposite side. So many difficulties were presented both of a physical and legal nature the department was unable to commence the work.

If the provisions of the act are to be carried out, I recommend that it be amended in such manner as to eliminate the direction contained therein as to the method of doing the work. The protection of property adjacent to the creek may be amply secured by excavation of material from the channel and the construction of earthen embankments for the required distance.

IMPROVEMENT OF LIMESTONE CREEK AT FAYETTEVILLE

This improvement was originally authorized by Chapter 751 of the Laws of 1917, which made an appropriation of \$35,000 therefor. Owing to the impossibility of placing the work under contract within such amount, Chapter 905 of the Laws of 1920 appropriated the additional sum of \$6,000, and at the same time amended the original act by making it discretionary with the Superintendent of Public Works as to whether the improvement should go forward by contract or by department forces. The latter method was deemed advisable, and operations were begun in the late summer. Included in the work proposed is the construction of a new bridge over the creek at Fayetteville, with temporary provision for the maintenance of trolley traffic. A portion of the latter expense will be borne by the railway company operating its line at this point, and funds to the extent of \$4,000 have been contributed for this purpose. It is expected that the improvement will be brought to completion during the coming year.

ONEIDA FEEDER IMPROVEMENT

The work of improving the Oneida Feeder through the corporate limits of the city of Oneida, as authorized by Chapter 884 of the Laws of 1920, was undertaken by the department forces in the early fall.

The improvement consists of widening, raising and strengthening the east bank, and straightening and deepening the channel to a sufficient depth to eliminate the overflow of the banks. While much progress has been made, the work has not been completed.

GRIFFIN CREEK IMPROVEMENT

Pursuant to provisions of Chapter 906 of the Laws of 1920, the clearing of the channel of Griffin creek, formerly used as the feeder to the Genesee Valley Canal, and the construction of necessary bank protection was continued. Excellent progress was made during the season and the improvement is now practically completed.

BLACK RIVER CANAL IMPROVEMENT

The work of improving the Black River Canal, under authority of Chapter 564 of the Laws of 1918, was continued during the year 1920. To make possible the use of the locks reconstructed during the preceding year, dredging operations were had in the river sections between Lock No. 102, located south of Lyons Falls, and what is known at Whittlesey's Bridge; and from Glenfield north to and beyond the Otter creek lock.

No dredging plant having been available in the vicinity, suitable units were constructed by department forces. In the building of these units the necessity of transferring them elsewhere was had in mind. With this end in view, one of the dredging plants was comprised of two hulls, each 14 ft. x 75 ft. in dimensions, and when lashed together constituted a hull 28 ft. wide. The other outfit used consisted of a hull 14 ft. x 75 ft., which was equipped with two 8-ft. pontoons on either side. With the completion of the improvement, these outfits will prove valuable for use at other localities on the canal system.

In addition to excavating material from the river channel, considerable length of wall was built through the village of Lyons Falls, and bank protection placed in the vicinity of Otter creek and Beech's lock. It is expected that early in the coming season of navigation the entire project will have been completed, thus making the Black River Canal navigable as far north as Carthage, which was the purpose of the original act.

PRESERVATION OF GUY PARK HOUSE

By Chapter 582 of the Laws of 1920, the further sum of \$4,455 was appropriated for the repair, improvement and preservation of the building known as Guy Park House and the grounds adjacent thereto, located in the city of Amsterdam. The work covered by the appropriation had to do principally with interior improvements, including the installation of water, sewer and heating systems. The improvements were made by the forces of the department and have now been practically finished.

CONTRACTS ADVERTISED AND AWARDED

Below will be found statement of the various contracts on which the department has advertised for bids during 1920, with note of the action taken thereon:

Contract Number	Description	Bids Received	Amount of Award
	(Barge Canal Construction Work)		
204	Constructing a dam across the old Erie Canal at Lexington avenue, Rochester. Contract awarded to I. M. Ludington Sons, Inc., of Rochester N. Y.	March 12	\$4,500 10
194 Revised	For completing the excavation of the canal between Crocker's Reef and Fort Edward. Contract awarded to W. F. Martens, Rochester, N. Y.	April 20	37,114 00
202 Revised	For completing the excavation of the canal channel in the Genesee river and the placing of rock-spoil protection between Elmwood Avenue bridge and Clarissa Street bridge, Rochester. Bids rejected	May 18	.....
186	For constructing head gates at the north end of the dam at Baldwinsville. Bids rejected	Nov. 16	.....
S	For furnishing, testing and delivering electric beacon lights for Cayuga and Seneca lakes. Bids rejected.....	March 23	.....
	(Terminal Construction Work)		
19-P	For paving the terminal piers at Greenpoint and at West 53d street, New York city. Awarded to the Hastings Pavement Co., New York city.....	April 6	24,128 00
219	For constructing a terminal pier shed at Gowanus bay, Borough of Brooklyn, New York city. Awarded to the Snare & Triest Co., New York city.....	April 20	618,548 00

Contract Number	Description	Bids Received	Amount of Award
104	For electrical work and mason work at the Barge Canal terminal at Greenpoint, Brooklyn, New York city. Awarded to T. Frederick Jackson, Inc., New York city.....	May 18	\$17,293 00
224	For constructing a terminal freighthouse at Mott Haven, Borough of Bronx, New York city. Awarded to Post & McCord, New York city.....	July 20	150,486 25
28-A	For protecting the breakwaters at the Cleveland terminal. Awarded to Eugene Dawley, Cleveland, N. Y....	Feb. 10	13,260 00
71	For completing the Court Street approach to the Rochester terminal. Awarded to I. M. Ludington's Sons, Inc., Rochester, N. Y.....	Aug. 17	306,750 00
223-P	For installing plumbing and a water supply system at the Barge Canal terminal at Greenpoint, Brooklyn, New York city. Awarded to Thomas E. O'Brien, Inc., Brooklyn, N. Y....	Aug. 18	9,735 00
26-A	For completing the terminal at Rouses Point. Bids rejected	Sept. 9	.....
53-A	For constructing certain portions of the dock wall around Ohio basin, Buffalo. Bids rejected	Sept. 9	.....
76	For constructing storage yards at Erie basin, Buffalo. Awarded to Mohawk Dredge & Dock Co., Inc., Herkimer, N. Y.....	Sept. 9	22,520 00
114	Furnishing and installing two three-ton semi-portals revolving jib cranes on the Barge Canal terminal at Erie basin, Buffalo. Awarded to Heyl & Patterson, Inc., Pittsburg, Pa.....	Sept. 9	39,714 00
79	For driving foundation piles for the proposed grain elevator, for constructing a bulkhead wall along Henry Street slip, and for dredging the Henry Street basin at Gowanus bay, New York city. Awarded to Raymond Concrete Pile Co., New York city....	Oct. 13	428,268 97
80	For constructing concrete foundation piers for the proposed grain elevator on the Barge Canal terminal pier at Oswego. Awarded to Brown & Lowe and Law Bros., Schenectady, N. Y....	Oct. 13	336,412 00
26-A	For completing the terminal at Rouses Point. Awarded to Holler-La Du Corp., Albany, N. Y.....	Oct. 20	32,619 50

Contract Number	Description	Bids Received	Amount of Award
220	For constructing the foundation of the proposed terminal freighthouse at Rochester. Awarded to New England Foundation Co., Inc., Boston, Mass....	Oct. 20	\$34,826 25
225-H	For installing a heating system in the Barge Canal terminal headhouse on Pier 93, West 53d street, New York city. Awarded to Austin Engineering Corporation, New York city.....	Oct. 26	4,875 00
225-P	For installing a plumbing system in the Barge Canal terminal headhouse and pier shed on Pier 93, West 53d street, New York city. No bids submitted..	Oct. 26	.....
53-A Revised	For constructing certain portions of the dockwall around Ohio basin, Buffalo. Awarded to Great Lakes Dredge & Dock Co., Buffalo.....	Dec. 14	435,000 00
(Under Special Legislative Acts)			
	For constructing the abutments and approaches of reinforced concrete bridge between the city of Schenectady and the village of Scotia, authorized by chapter 735 of the Laws of 1917, and chapter 624 of the Laws of 1919. Awarded to Dubois, Bennett & Son, Schenectady, N. Y.....	Feb. 10	234,593 00
	For constructing the piers of a reinforced concrete bridge over the Mohawk river between Schenectady and Scotia, being the continuation of the work last named above. Awarded to American Pipe & Construction Co. of Philadelphia, Pa.....	June 11	961,963 00
	Chapter 751 of the Laws of 1917 and chapter 339 of the Laws of 1918. For constructing a through plate girder bridge and the improvement of Limestone creek in the village of Fayetteville, Onondaga county. No bids submitted	Feb. 17	.....
	Chapter 751 of the Laws of 1917 and chapter 339 of the Laws of 1918. For constructing a through plate girder bridge and the improvement of Limestone creek in the village of Fayetteville, Onondaga county. Bids rejected	March 26	.....

TERMINAL CONTRACTS COMPLETED DURING THE YEAR

Contract No.	Date of Acceptance by Canal Board 1920
113	Feb. 18
207-P	Feb. 18
217	Feb. 18
207-H	March 3
217-P	March 17
223	March 17
100	May 5
203-P	May 5
19-P	June 23
57	Aug. 4
228	Aug. 4
117	Aug. 18
218	Sept. 3
33	March 17
112	Nov. 4
105	Nov. 17
55	Dec. 1
212-H	Dec. 15
102	Dec. 29
212	Dec. 29

BARGE CANAL CONTRACTS COMPLETED DURING THE YEAR

Contract No.	Date of Acceptance by Canal Board 1920
146	May 5
164	Feb. 18
117	June 2
201	June 2
204	June 23
152	Nov. 4
189	Sept. 3
194	Sept. 10
147	Nov. 4
190	Nov. 4
198	Nov. 17
T	July 21

SPECIAL CONTRACTS COMPLETED DURING THE YEAR

Description	Date of Acceptance by Canal Board
Construction plate girder bridge over old Cayuga and Seneca Canal, Lake St. Geneva. Chapter 351, Laws 1918.....	Jan. 21
Construction of concrete culvert at Eighteen Mile Creek, Lockport, Chapter 626, Laws of 1917.....	June 30
Constructing an eight-foot pipe culvert, across Barge Canal at Rome. Chapter 346, Laws 1918.....	Nov. 4

CONTRACTS ACCEPTED UNDER WALTERS' ACT, CHAPTER 585,
LAWS 1918

Terminal Contract 21.....	April 7
Terminal Contract 53.....	April 7

DITCHING

During the progress of the last canal improvement, drainage conditions in many localities throughout the State seem to have been seriously disturbed. Many claims have been filed annually for money damages based on the alleged filling up of previously existing drainage ditches or for interference with natural drainage facilities. Large awards already have been made by the Court of Claims on this account. Unless the cause of the trouble is removed, the State must respond annually in money damages besides depriving the property owners of the use of their lands. Many hundreds of acres are claimed to be unfit for cultivation and the situation has been made the basis of much complaints.

Up to the present time, this subject seems to have been denied the attention it deserves. Where the fertility of land has been wholly or partly destroyed by the progress of the canal improvement work, the State would seem to be under legal obligations to restore the use of it to the owner, and failing to perform that duty, must render proper compensation. Heretofore, remedies have been sought to be applied by a piece-meal method with the result that not only has the State been called upon to pay large sums in damages but much dissatisfaction exists among the citizens whose lands have been affected. The

more serious conditions exist adjacent to what is called the Sixty Mile Level of the canal between Rochester and Lockport.

In my requisition recently submitted to you for funds for the coming year, I have included an item of \$30,000 for the performance of work of this kind. With this sum available, it is planned to take up the whole subject in a thorough manner and discharge the obligations of the State as they may appear. I recommend that the amount asked be appropriated.

OLD ERIE CANAL FROM ROME TO MOHAWK

The subject of the unimproved Erie Canal extending from Rome to Mohawk has been presented for your consideration by this department during the past several years, and the conditions prevailing upon it have been described in considerable detail. Since so much discussion has been had and since by the enactment of the several statutes the situation seems to some extent to be a complicated one, I think it wise to set forth in this report the various steps taken so that full information may be before you for your use in the adoption of a definite policy.

In the enactment of chapter 147 of the Laws of 1903, known as the Barge Canal Improvement Act, it was assumed that with the completion of the new channel portions of the old canal paralleling the new route and not specifically retained would be abandoned for navigation purposes and sold pursuant to the provisions of the Public Lands Law. At any rate, such procedure has been followed. Before however the new route westerly to Rome was placed in commission, chapter 746 of the Laws of 1911 in referendum form was enacted, which authorized the issue of bonds for the furnishing of terminal facilities for Barge Canal traffic. In section 4 appears the following:

“ The present Erie Canal between Rome and Mohawk shall be retained at not less than its present dimensions, and all structures, locks, bridges and docks thereon shall be maintained and operated by the State for terminal purposes.”

By such mandatory provision, a waterway some 30 miles in length and paralleling the main line of the improved Erie Canal

for much of the distance was continued for the use of the smaller and old type of boats. Junction locks were constructed at Rome and Mohawk to make connections with the main channel.

The execution of the plan directed in the Terminal Act was found to be impossible for physical reasons. No provision had been made for additional feeders of water to the 30-mile stretch of old canal, so that when the flow of the water from the west was shut off by the opening of the new channel, Oriskany creek, the sole tributary to the old level, was entirely inadequate to maintain a proper boating depth.

To meet the situation, chapter 346 of the Laws of 1918 was enacted. The construction of a dive culvert at Rome to conduct a sufficient volume of water into the old canal was authorized, with the condition that of the total cost involved of \$50,000 a share to the extent of \$30,000 should be borne by parties interested in the project and the balance by the State. Such contribution was made and the building of the culvert has been progressed to completion during the present year but not in sufficient time to permit of its use.

Such construction was directed in spite of the fact that in the previous year the Senate and Assembly had adopted a concurrent resolution proposing an amendment to section 8 of article VII of the Constitution, removing the prohibition as to the sale or other disposition of canals from

“that portion of the existing Erie Canal in the City of Utica between the westerly line of Schuyler Street and the easterly line of Third Street, provided that a flow of sufficient water from Schuyler Street to Third Street to feed that portion of the Canal east of Third Street be maintained.”

The proposed amendment was in due course duly adopted and is now a part of the Constitution. By it, the filling in of the canal between the streets mentioned was authorized and when such work is actually accomplished, the use of the 30-mile stretch will be destroyed for practical commercial purposes.

During 1919, at the insistence of citizens of Utica, proceedings were had looking to the formal abandonment for navigation purposes and sale of the area between Schuyler and Third streets.

Public hearings were had by the Canal Board at which the abandonment of the whole section was urged. While the State Engineer and Surveyor and myself submitted to the Canal Board the required statutory certificates with respect to the Schuyler and Third street section, it was found that the Canal Board had no legal authority to abandon for canal and terminal purposes the whole 30-mile stretch between Rome and Mohawk, inasmuch as its retention had been directed by the provisions of the Terminal Act; and that even as to the section between Schuyler and Third streets specifically referred to in the constitutional amendment, it appeared that such amendment merely gave the right to the Legislature to amend or repeal that section of the Terminal Act which provided for the retention of the canal. No action therefore was taken by the Board in the way of official abandonment.

The subject was again before your Honorable Body during the session of 1920. Instead of amending the section of the Terminal Act as referred to above and making provision for the abandonment and sale of the canal lands between Schuyler and Third streets in accordance with the provisions of the Public Lands Law, the city of Utica by chapter 744 was authorized to lower or remove any or all of the three bridges existing over the canal in the area referred to. The act also authorized the construction by the city of a conduit in the bed of the canal between such points of sufficient capacity to maintain the flow of water.

This statute has been interpreted to be in the nature of a direct legislative permit for the performance of the work and the city has undertaken its progress. The work already done constitutes a physical, if not an official, abandonment for navigation purposes of the canal in Utica.

Your Honorable Body at the same session also adopted concurrent resolutions suggesting further amendments to the State Constitution, dealing with the situation, which amendments are in the nature of alternative propositions.

The first proposes to except from the provisions of section 8 of article VII any prohibition against the sale or disposition of the existing Erie Canal "in the county of Herkimer between the easterly portion of the village of Mohawk and the county boundary

line between the counties of Herkimer and Oneida." The second applies to the entire stretch of old canal between Rome and Mohawk.

Both suggested amendments will come before you at the present session for further action and the one that shall receive your approval will be submitted to the People at the general election in 1921. I earnestly request that definite and final action be immediately taken. The whole situation has become an impossible one, both from a physical and legal standpoint. With the improved canal in full commission and a well-equipped harbor for traffic at Utica, I see no important commercial purpose to be served in attempting to maintain navigation on a stretch of waterway which not only is insufficient in size to admit boats ordinarily plying the main canal, but which by reason of the closing of the Schuyler-Third street section is impossible for use for its entire length.

I therefore recommend that such action be taken by your Honorable Body at your present session as will ultimately result in the abandonment of the whole project of maintaining the old Erie Canal between Rome and Mohawk.

USE OF SURPLUS CANAL WATERS FOR POWER PURPOSES

In reports of the department submitted to your Honorable Body during the several preceding years, the subject of surplus waters existing along the canals has been thoroughly discussed, and the location of the same has been pointed out to you. In presenting the matter again, I desire to emphasize the necessity, from the standpoint of the State's interests, of the enactment of such legislation as will lay down a definite and precise method for the disposition of the same. In the absence of statutory provisions, the subject is a difficult one to handle.

As indicated to you in my report for 1919, water power exists along the canal at some 17 different points, and it is proper that provision should be made for such disposition of the same as will not affect the navigation interests. Legal action looking to the sale or lease of water power created by the Barge Canal construction is now impossible, owing to the prohibition contained in section 16 of chapter 147 of the Laws of 1903, as amended

by chapter 494 of the Laws of 1907, which forbids the lease, sale or other disposition of any of the surplus waters created by the canal improvement until "authorized by statute setting forth specific conditions and restrictions governing the same." Such absence of authority has tended to retard and discourage industrial development along the line of the canal, in that any permits that might be given by the department are without statutory sanction.

The enactment into law by the Congress of the United States of the so-called Federal Water Power Commission Bill constitutes a further and most important reason why the adoption of a State policy on the subject should no longer be delayed. Under the Federal statute all applicants for licenses for the use of water power must first comply with State laws applicable to the subject. The undoubted purpose of this condition was to insure some measure of protection to the interests of the State over waterways within its borders. Already the Federal Water Power Commission has under consideration the granting of a license authorizing the development of water power at the dam constructed across the Hudson river at the city of Troy. Such structure being located on a river wholly within our borders, the State of New York possesses inherent rights in the surplus waters created by it, and it would be a matter of deep regret if any such rights were impaired or denied by the lack of a definite State policy.

FEDERAL JURISDICTION OVER NAVIGATION OF THE STATE CANALS

During the season just closed, further action was taken by officials of the United States to assert Federal jurisdiction over navigation of the State canals. In one case, a penalty was imposed on a vessel owned by the State itself and operated in connection with the performance of work authorized by the Legislature. Instances also have occurred where privately owned craft have been subjected to the same action.

The Secretary of Commerce, in whose name the orders referred to have been issued, evidently relies for his authority on certain provisions of the United States Revised Statutes which have to do with the construction, equipment, inspection and licensing of steam vessels "using the navigable waters of the United States;"

and since the New York State canals constitute by themselves and by uniting with other waters a continuing highway over which commerce may be carried on with other states or foreign countries, it has been held that they come within this classification. Under such ruling, the waterways left under State control would be limited to the small inland lakes having no connection with the canals and which are used mainly for pleasure resort purposes. As I understand it, all steam or motor vessels plying the canals whether used in interstate commerce or not and whether carrying passengers or freight for hire or not are subjected to the ruling.

To my mind, this condition is directly opposed to the theory of canal construction and improvement in this State and is contrary to its basic law and its statutes. It cannot fail to create confusion in the minds of prospective users of the canals who have relied on the State's control of them and must seriously interfere with the development of commerce.

The provisions of the State Constitution are plain on this subject. In section 3 of article V, after providing for the appointment of the Superintendent of Public Works, it says:

“He shall be charged with the execution of all laws relating to the repair and *navigation of the canals*, and also of those relating to the construction and improvement of the canals, except so far as the execution of laws relating to such construction or improvement shall be confided to the State Engineer and Surveyor; subject to the control of the Legislature, *he shall make rules and regulations for the navigation or use of the canals.*”

In section 8 of article VII, it is further provided:

“* * * but they (the State canals) shall remain the property of the State and *under its management forever*
* * *.”

For the purpose of carrying into effect such constitutional provisions, chapter 13 of the Laws of 1909, known as the Canal Law, in section 33 provides that

“The Superintendent of Public Works shall: have the general care and superintendence of the canals; enforce the faithful execution and observance of the canal law by all persons

* * *; *make all necessary rules and regulations for the safe and speedy navigation*, protection and maintenance of the canals and the structures thereof, for the government of employees under his control engaged in their construction, improvement, repair and *navigation*, and for the payment for tools, material and labor, impose such forfeitures of money not exceeding the sum of \$25.00 for each offense as he deems reasonable and for the breach of such rules and regulations prosecute therefor in the name of the State and pay over moneys received on such prosecution into the State treasury * * *."

Chapter 42 of the Laws of 1909, known as the Navigation Law, also deals with the subject of navigation on State waters. The appointment of inspectors of steam vessels is authorized, whose duties include the inspection from time to time of every vessel engaged in carrying passengers or freight for hire or towing for hire on the inland waters of the State. Complete rules and regulations for the management, operation and equipment of vessels and for the safety of traffic, substantially similar to those adopted by the National government, are contained in the law.

There is no doubt that the plain intent of the Constitution and the statutes is to vest in the Superintendent of Public Works full authority over the canals, the single condition being imposed that the rules and regulations he shall make for their navigation should be "subject only to the control of the Legislature."

With the application of Federal laws to canal navigation, the powers conferred upon the Superintendent of Public Works are nullified and he is without means to perform the duties assigned to him. The right of the State to control its own waterway system is denied. The Erie, Oswego, Champlain, Cayuga and Seneca canals become merely "navigable waters of the United States."

Since both the Federal and State regulations are for the protection of commercial interests and the safety of persons or property transported, it is of course immaterial which set of rules are enforced. As a matter of fact, they are almost identical. The underlying principle of control is all-important. If the authority of the National government to regulate and control navigation

is admitted or acquiesced in by the State, it is a logical consequence that many acts of the Superintendent of Public Works having to do with the maintenance or improvement of the waterways will require the approval of the Federal authorities. This is not a far-fetched conclusion. A proper exercise of authority to control and regulate navigation on any waterway must necessarily be coupled with the power to approve or disapprove any work on such waterway which might in any way affect navigation interests. The right of the Federal engineers to pass upon the Department's plans for construction or repair work could not be denied. Then too, since navigation depends almost entirely on the manner in which the locks and movable bridges are operated, it is not beyond the bounds of possibility that directions for the management of those structures might be forthcoming from Washington. In the last analysis the State would be left only with the privilege of paying the bills.

I cannot believe that such a situation as this was intended. It is repugnant to every theory that has actuated the citizens of the State in the expenditure of large sums of money in constructing and improving their canals. Even now without large annual appropriations from the State treasury for maintenance and repair, the water route would soon be incapable of use.

A year ago, I presented this subject for your consideration and what I have said above is somewhat of a repetition of the statements contained in my previous report. No action however has been taken. I believe that every means at the command of the State and of the State's representatives in Congress should be exerted to the end that those United States statutes which are relied upon by the Secretary of Commerce to permit of his entrance into the canal field be amended so as to except the State's waterway system from their provisions.

ICE GORGES IN THE HUDSON RIVER

The duty of removing, opening up, breaking or destroying ice gorges or blockades of ice in the Hudson river south of Troy, was placed upon the Superintendent of Public Works by chapter 312 of the Laws of 1910, the act having been passed following a

severe freshet which had resulted in damage to property in the cities of Albany, Troy and Rensselaer.

Since that time conditions existing along the river have been carefully studied by the Department. It was found that for a distance of probably 20 miles southerly from Albany there exist a half dozen points at which ice gorges may form, and the continued presence of a gorge at any one of those several places might create serious freshet conditions at Albany and adjacent places.

While gorges have formed in the past ten years, not one has caused any serious damage during that period. As a matter of fact, the existence of high water in the streets of Albany, Rensselaer, Troy and Watervliet is not due to this cause alone. The records show that when the most severe flood conditions have prevailed the river was free of ice. However, ice gorges in the river below Albany, when they do form, must always be regarded as a menace and possessing elements of potential harm.

I fully agree with my predecessors that the clearing of the Hudson river of these dangers is a matter for action by the United States authorities rather than by the State. The Federal authorities have asserted their jurisdiction over the river, and have performed necessary dredging and bank protection work therein. Should it become necessary in the taking of measures to break up the ice, to remove any government dike or other structure, the permission of the United States Engineers would first have to be obtained. Nevertheless, the obligation remains with the Department under the statute referred to, and all feasible plans of effective operations have been considered. To absolutely guarantee freedom from high water is an impossible task, unless by the constant use of large and powerful steamers the ice was prevented from assuming any considerable thickness. This is not practicable, not only on account of the immense area to be covered and the interference with ice harvesting industries, but also for the reason that the State has not under its control plant which could be utilized effectively for that purpose.

Two methods only have appealed to me as promising substantial results. The first includes the chartering of one or two steam tugs of the river type and of a size and equipment as nearly

suitable for ice breaking work as may be secured, and the wintering of the same at such place along the river as will be below the most southerly point of possible danger; and when conditions have become ripe for action, to endeavor to destroy any gorge that may have formed by the use of such steamers. The execution of such plan may prove impossible, if, as it frequently has happened, field ice of considerable thickness exists for many miles below the obstruction. The other plan includes the use of dynamite. Explosives, however, are of service only in restricted areas and when open water in sufficient extent is available to permit of the passing down of the broken masses.

As a matter of fact, without the presence nearby of ice breakers especially designed for the exact nature of the work to be performed, it is always possible that conditions may prevail with which the Department may be unable to cope. However, with the equipment at hand, the Department is prepared to take such action as may be possible. Each winter the situation has been kept under close observation, and the State forces have held themselves in readiness to attack any gorge that may form, the method to be followed depending on the exact conditions which may then prevail.

NECESSARY ELEMENTS OF EFFICIENT CANAL MANAGEMENT

SKILLED AND PERMANENT FORCE REQUIRED

With all the construction problems connected with the great canal and terminal projects solved, and the whole plant now presented to the public for commercial use, the question of securing and retaining a competent maintenance and operating organization is one which requires the deepest attention and consideration. The importance of this cannot be minimized. The canals always have been regarded as the State's chiefest business institution, and must be administered along business lines. They were constructed, and enlarged again and again solely in the interests of commerce. The cost of construction and maintenance has been large. The value of the structures now in place is vast.

If the citizens of the State are to receive adequate return for their immense investment, it is essential that the selection of

the canal working force must be based solely on merit and fitness, and a tenure of office assured. The interests of those using the State's waterways and who have invested their capital in canal enterprises demand the highest degree of efficiency on the part of the department's officials. However perfect the channel and its structures may be from a construction or engineering standpoint, the waterway cannot become an important instrumentality of transportation unless it remains in the hands of a skilled organization of at least some permanency.

APPLICATION OF CIVIL SERVICE PRINCIPLES

Whether the canal shall be deemed a competitor of the railroad, or as a feeder or supplementary to it, its forces must be organized along similar lines and the same principles of management must be applied. Long steps already have been taken in this direction. Up to twenty years ago the canal system was accepted as a legitimate field for political manipulation. With each changing administration those in charge of the maintenance and operation gave way to others who in turn were displaced later.

With the application of the provisions of the Civil Service Law, the work of the department has become less and less subject to political conditions. Even before the enlarged canal was placed in commission, the necessity of this was recognized. Without serious objection from any source, many positions which had to do with the care and operation of the more important structures have been classified in the competitive schedule.

The manning of the new Barge Canal locks, with their elaborate operating machinery, was accomplished entirely through appointments from eligible lists established after open competitive examinations. With the assurances provided by the Civil Service Law that continuance in office depended solely on efficiency and merit, young men skilled in the various mechanical trades were attracted to the service. In no other way could the department have secured the large number of trained men required.

During my own term of office the same principle has been applied. Many additional positions requiring skill, watchfulness and judgment on the part of the incumbents have been

brought within the competitive schedule of the Civil Service. To secure and retain a competent working force, some degree of permanency must be assured. It is obvious that ambitious and industrious young men will decline to engage in any work where their tenure of employment will depend largely upon political conditions of their home localities, especially when the industrial world offers better inducements.

The operation of the many lift bridges spanning the canal is second in importance only to the care of the locks. In the case of the former, the safety of highway traffic is at stake. The operating machinery requires the attention of clear headed men having special aptitude to work of this kind, in order that accidents will be prevented and the State's interests guarded. This class of employees is offered as an important instance only, as a review of all the positions in the department above the grade of labor will present reasons for permanency equally as good.

CIVIL SERVICE POLICY SHOULD BE CONTINUED AND EXTENDED

As I have stated before, the management and operation of the State's canal system is akin to that of a great railroad corporation. In the canal enterprise, the people of the State themselves are the stockholders, and the elected officials having to do with the waterways are in a sense the Board of Directors. Those interested in a large industry, demanding a fair return for moneys invested, would indignantly reject any plan looking to the dismissal of trained and efficient employees every year or two, and yet this to a more or less extent is the actual experience had in the case of the waterways.

While perhaps it is a subject for departmental rather than legislative consideration, I feel it my duty to thus place on record my views in this matter. My experience with the canals has been twofold. As a practical canal operator for many years, the defects in the employment system were keenly realized; and later, having been placed at the head of the department, and being charged with the responsibility for the successful maintenance of navigation, I had opportunity of gaining firsthand knowledge of the difficulties in the way of securing and retaining a complete organization of skilled and earnest workers. In the interests of commerce the entire operating force must be eliminated from the

domain of politics. When questions of canal improvement and enlargement were presented to the people for approval, all political parties of the State loyalty gave their support. The continued maintenance of the waterways has become the accepted permanent policy of the State. This being so, I am confident that the application of strict business principles to management and operation, now that it has become absolutely necessary in the interest of commerce, would meet with universal approval.

In what I have said, I do not wish to be considered as intending a wholesale criticism of men selected for service in the department by other means than that of competitive examination. On the contrary, many of those appointed largely for political reasons were among the most conscientious and industrious employees, and my most loyal assistants. My only thought is to provide some degree of protection for efficiency wherever it is found to exist, and to instill in the mind of every employee along the canal that the term of his employment depends solely on his personal fitness for the job he holds; and conversely, that attention to duty and loyalty to the interests of the canal are essential to his continued employment.

In this public manner, I submit the subject to the attention of my successor in office with the hope that he will recognize the necessity of such further extension of the policy already in effect as will ultimately result in placing all employees along the canal within the competitive Civil Service class.

TERM OF OFFICE AND METHOD OF APPOINTMENT OF SUPERINTENDENT OF PUBLIC WORKS

What I have said with regard to the necessity of some permanency of employment for those in the field and operating organizations applies with equal force to the head of the department. As a matter of fact, the root of the trouble may be here, and this is the place where the remedy should be applied. From a legal standpoint, the tenure of office of the Superintendent of Public Works is no more definite than that of a canal bridge tender in that he is appointed for no specific term and holds office at the pleasure of the Governor.

In a discussion of this peculiar but actual condition, it is interesting to trace the development, or as one might say, the evolution which has taken place in canal management and to mark the successive plans adopted by the people. The construction and maintenance of a waterway from the Great Lakes to the sea was not only a tremendous accomplishment on the part of the young State but also a positive innovation in governmental activity. The record discloses a series of experiments in canal administration and bears witness to the endeavors of the people to secure what might become the most efficient method of control.

PREVIOUS METHODS OF ADMINISTRATION

With the completion of the original construction work, we find the system placed in charge of five commissioners, constituted and appointed by chapter 237 of the Laws of 1816. This was continued until 1821 when chapter 36 of that year added another commissioner.

Only seven years had elapsed when the need of a change was recognized, and in 1826, by chapter 5 of the Revised Statutes, the number of the canal commissioners was reduced to four with the condition that two of them should be "acting" commissioners.

Again and in 1833, the organization was considered imperfect, when chapter 80 increased the number of commissioners by one. In 1836 pursuant to chapter 451, still another was added making the total number of canal commissioners at this time six.

Eight years passed before further reorganization was had. Chapter 280 of the Laws of 1844 reduced the commissioners to their previous number of four, and provided for their election by the people at large, with the direction that three should be known as "acting" commissioners. In the following year, chapter 6 made still another change by which the elected canal commissioners should designate how many of their number, not less than two nor more than three, should be "acting" commissioners.

At the adoption of the State constitution in 1846, the commissioners were reduced in number to three, to be elected by the people with a term of office of three years, a vacancy occurring each year.

OFFICE OF SUPERINTENDENT OF PUBLIC WORKS CREATED

For more than 30 years, the three-headed commission was in charge. As the years passed, dissatisfaction with their administration arose, but having been created by constitutional enactment, a change was not as readily effected, as in the past when legislative action only was required. Without going into detail relative to the causes leading to the demand for reorganization, it is sufficient to say that the agitation for reforms finally resulted in the enactment by the Legislature of laws recommended by Governor Tilden in 1876; and at the general election in November of that year, the people by a large majority approved an amendment to the constitution placing the canals in charge of a single official to be known as the Superintendent of Public Works. The first superintendent of public works took office on February 8, 1878. Since that time, canal affairs have been administered without important change in method, the constitution of 1894 continuing the office as theretofore constituted.

TERM OF OFFICE BRIEF AND INDEFINITE

While the last named scheme of canal management has without doubt accomplished better results than any heretofore tried, the time has come when still further improvement should be secured. I refer especially to the lack of a definite tenure of office and to the matter of frequent changes.

Section 3 of article V of the State constitution provides that the Superintendent of Public Works who shall be appointed by the Governor, by and with the advice and consent of the Senate, shall hold his office until the end of the term of the Governor by whom he was nominated and until his successor is appointed and qualified. It also says:

“He may be suspended or removed from office by the Governor whenever in his judgment the public interests shall so require; but in case of the removal of such Superintendent of Public Works from office, the Governor shall file with the Secretary of State a statement of the cause of such removal and shall report such removal and the cause thereof to the Legislature at its next session.”

In other words, the Superintendent of Public Works may be removed from office by the Governor at any time and for any reason that to the Governor may seem sufficient. In short, his tenure of office is solely at the Governor's pleasure.

Such a provision as this in the basic law of the State can only be regarded as an echo of political incidents of the nineteenth century. From their first construction, the canals were regarded as the battlefield of politics. Campaigns were won and lost on the success or failure of the canal administration. This thought doubtless was had in mind in 1876 when in placing the system under a single head it was provided he should hold office at the pleasure of the Governor. It was the opinion at that time that the record of the canal department would be the most important factor in the success of the Governor's administration.

The situation has changed since those days. As I have pointed out above, the State's waterways are gradually but surely coming to be recognized as a purely business institution, demanding the eradication of all elements except those tending to commercial success.

SUCCESSFUL ADMINISTRATION HANDICAPPED

Aside from the matter of freight transportation, the interests intrusted to the Superintendent of Public Works are of vast extent. Millions of the State's moneys are dispensed by him annually. Questions of enormous importance are presented to him for decision, and the very nature of his work demands a continuance in office for a specific term of reasonable duration. An efficient conduct of the department's affairs requires the services of a broad-minded executive who has had experience in dealing with important questions of the nature of those which almost daily present themselves, and the securing of one possessing those qualifications will be more easy of accomplishment if the term of his employment is made definite.

At present, assuming that the Superintendent of Public Works will remain in office to the end of the term of the Governor appointing him, it is possible that his service will be limited to two years. But a small portion of that time can be devoted to

the execution of the policies which in his judgment seem best for the protection and furtherance of the State's interests. More than half of the first year will have elapsed before the new Superintendent has acquainted himself with the vast property under his charge, with the important interests he must guard and as to the actual working out of the policies of his predecessor. Even when his own plans have been definitely determined upon, the process of effecting important changes necessarily must be gradual and slow, with the result that the navigation season of the second, and perhaps last, year of his term is well under way before the newly adopted policies are even in operation.

Since gubernatorial elections take place biennially, the Superintendent of Public Works is confronted with the end of his term of service with his work only fairly started, and without sufficient opportunity to demonstrate the soundness of the principles he has just begun to apply. Should a change occur in the office of the Chief Executive of the State, whether it be in the same political party or another, or whether it occurs in the midst of a term, the Superintendent of Public Works must be prepared to vacate his place in favor of the new Governor's selection, and the new Superintendent of Public Works takes up the work faced with the same conditions. Whatever ability, training and experience the man newly appointed to the office may possess, and however masterful his personality, it is not within the scope of possibility that he may be assured of having accomplished lasting good in the brief time at his disposal.

The situation is an impossible one. It not only seriously retards the development of commerce on the State's waterways, if in fact it does not actually prevent it, but it also makes impossible a continuity of action with respect to other important canal matters, and results in detriment to many people whose interests have direct relation to established State policies.

RECOMMENDATIONS

The term of office of the Superintendent of Public Works should be made by statute fixed and definite. Five years' time would be none too long. Like other State officers, he should be

subject to removal before the end of his term only upon stated charges and after a public hearing. So far as may be possible under our present party system of government, the office should be removed from the realm of politics. The interests of this great canal system, now becoming recognized as a strictly business enterprise on the part of the State, are too important to be made a stake in the political battles waged every second year.

Besides recommending to your Honorable Body such amendment of the Constitution and the statutes as will provide a term of office for the Superintendent of Public Works of at least five years, I desire to go a step further. In the selection of the man in whose hands the canal affairs will be placed, I believe that the voice of the business interests of the State should be heard. This would be no innovation in State affairs. Indications are present that a similar course has been followed not only in the case of the canal itself but in other State matters as well. Civic and commercial organizations with the interests of their respective communities bound up in the success of the waterways have at all times kept closely in touch with them. All of the movements for canal enlargement and reforms have originated with the business men of the State, and the Legislature at all times has hearkened to their suggestions and has been guided by their advice.

During the early canal days when the commissioners in charge were specifically named in the Acts creating the offices, it is fair to assume that the selections made were based on suggestions of the commercial interests of those times. In the agitation of 1875-1877 for canal reforms, the business organizations took a foremost part. Conferences were held at which were present representatives from many commercial organizations. Resolutions were adopted and submitted to the Legislature dealing with the conditions which then existed and urging canal reorganization along specific lines. The action later taken by the Legislature in principle followed those recommendations.

The solution of the problems now facing the State government demands expert advice, and in a business matter of such magnitude as the conduct of canal affairs constitutes, it is but logical

that the views of those qualified to speak for the State's commercial interests should be secured.

I, therefore, further recommend that such legislation be enacted as will in effect vest in the recognized business agencies of the State authority to nominate the official to be charged with the administration of the State's canal system. In no other way can the removal of canal affairs from the influence of political exigencies of the moment be actually and practically accomplished.

THE PRIZE LOCK

The distinction of being the prize lock for the season of 1920 was conferred on Lock No. 11, of the Champlain Canal, located at Comstocks, Washington county, which is the second time this structure has gained the prize.

Honorable mention was given to the following locks in the order in which they appear: Lock No. 25, Erie Canal; Lock No. 4, Cayuga and Seneca Canal; Locks Nos. 1, 7 and 6, Champlain Canal and Lock No. 15, Erie Canal.

In deciding the competition, the basis of percentages used were as follows: For perfect condition of machinery, 60 per cent.; for appearance of grounds, 20 per cent.; and for appearance of power houses, 20 per cent.; making a total of 100 per cent. All of the locks above named obtained a percentage of more than 97. Practically all of the structures showed evidence of the painstaking work done by the lock forces. In every case, the State's property was maintained in a high degree of efficiency.

In addition to having the privilege of erecting a sign proclaiming it to be the prize lock for the season, the members of the winning crew were granted small increases of salary to be held by them until the close of the next year's contest.

The record of prize locks is now as follows:

Year	Lock No.	Canal	Location
1915.....	28-B	Erie	Newark
1916.....	11	Champlain	Comstocks
1917.....	8	Champlain	Fort Edward
1918.....	8	Champlain	Fort Edward
1919.....	4	Cayuga and Seneca	Waterloo
1920.....	11	Champlain	Comstocks

BUREAU OF THE INSPECTION OF STEAM AND
MOTOR VESSELS UNDER THE NAVIGATION LAW

The work of the two inspectors appointed under the provisions of the Navigation Law, known as Chapter 42 of the Laws of 1909, includes the inspection and licensing of vessels used on State waters for the carrying of freight and passengers for hire or towing for hire and the examination and licensing of the operators of them.

During the year, 211 vessels were inspected of which 28 were steamers and 183 motor boats. In the case of 12 vessels, certificates were withheld pending the making of necessary repairs or the supplying of needed equipment, and in those instances, all but four certificates were finally issued.

A total of 273 personal licenses were issued, being made up of 21 masters' licenses all of which were renewals; 18 licenses to pilots of which 6 were original and 12 renewals of former licenses; 47 engineers' licenses, 5 being of original issue and 42 renewals; and 187 joint pilot and engineers' licenses, 57 having been originals and 130 renewals. The amount collected by the Inspectors in accordance with the fees prescribed by the Navigation Law, was \$2,257.50.

On July 6th, the steamer "Sagamore" on Lake George collided with a row boat in Kaatskill Bay situated between Rockhurst and Cleverdale landings. The row boat was demolished by the paddle wheel of the steamer and the four occupants, all women, were thrown into the water and before assistance arrived, two were drowned. An investigation was had by the inspectors so far as the application of the provisions of the Navigation Law was concerned, but no grounds were found sufficient to require the revocation of the license of the pilot on watch at the time of the occurrence.

The compensation at present received by the two inspectors of steam vessels is the same as that fixed in the original Navigation Law enacted in 1897, nearly twenty-four years ago. In order that the services rendered may be more adequately compensated, I recommend that the statute in question be amended so as to make provision for the payment of an increased rate to these officials.

BUREAU OF APPRAISAL AND CLAIMS

During the year 1920, 158 claims were filed against the State on account of the canals, with a total of \$1,278,671.11. Of these, 119, with an aggregate of \$1,070,426.11 were based on causes connected with the Barge Canal improvement work; three, with a total of \$61,423.32, had to do with terminal construction and the remaining thirty-six, with an aggregate amount of \$146,821.68, covered damages alleged to have been sustained from the maintenance and operation of the old canal system.

The Barge Canal claims filed during the past year may be subdivided as follows: By contractors for alleged breach of contractual relations, three claims, with a total of \$822,718.60, in which is included the claim of the M. A. Talbot Company, holding what was known as Contract No. 43, the amount of this claim alone being \$814,450.03; for overflow of Genesee River, thirteen claims, with a total of \$9,451.49; and for leakage and overflow along the line of the new canal, eighty-nine claims, aggregating \$238,256.02.

Trial was had before the Court of Claims in the case of 106 claims on account of the Barge Canal improvement work, and against the total of \$3,209,885.83 asked by the claimants, awards to the amount of \$1,841,438.41 only were secured. In addition, fourteen claims, aggregating in amount \$2,726,352.27 were tried, but in these no decisions have as yet been reached.

Three claims growing out of the terminal work, with a total of \$27,379.31, were also tried, and awards were made in the case of two to the extent of \$8,692.20. Decision in the case of the third claim is still awaited.

In the case of thirty-nine Barge Canal claims, amounting to \$1,256,790.95, and three terminal claims, totaling \$158,180, dismissals were had with no recovery whatever to the claimants; and of the nineteen claims arising from causes due to canal maintenance and operation and amounting to \$35,787.57, the awards were \$14,300.09 only.

On four similar claims, totaling \$13,194.25, the result of the trials has not as yet been announced. There were dismissed by

the court, without recoveries, seventy-three old canal claims, on which \$153,051.53 had been asked by the claimants.

Of the claims disposed of during the past 12 months, the more important were those of railroad companies covering compensation for enforced rebuilding of railroad bridges over the canal system. In all these cases, bridges had been in place of a type and dimensions suitable for navigation conditions existing at the time of their building. By reason of the fact that the Barge Canal improvement plans provided for a minimum width of channel of 75 feet and a minimum clearance of 15½ feet underneath fixed bridges, radical changes in the railroad crossings were necessary. The structures were entirely rebuilt or greatly altered.

At the time the canal enlargement was authorized, it had been assumed that all cost and expense involved in altering railroad bridges to meet the new requirements would be borne by the railroad companies themselves. On presentation of the facts to the court however a contrary decision was reached, and as a result the entire expense of modifying or rebuilding bridges carrying railroads across the canals was made a charge against the Barge Canal moneys. The only issue left undetermined was as to the amount to be paid. I refer particularly to the decision of the Court of Appeals rendered May 20, 1919, in the action of the Oswego & Syracuse Railroad Co., and the Delaware, Lackawanna & Western Railroad Co., against the State of New York, Justice Cardozo writing the opinion.

That the running of interest charges might be stopped promptly, every effort was exerted to reach final settlement and at the same time secure to the State all proper off-sets. In arriving at the final amounts, the State was credited with certain improvements or betterments to the original construction and also the value of the use of embankments or lands connected with the abandoned canals was computed as provided by Section 5-A of the Barge Canal Act.

In this manner it was possible to reduce the total of this class of claims from \$2,828,437.54 to \$1,733,118.45. In the following list will be found information in detail relative to these settlements:

FOR RECONSTRUCTION OF RAILROAD BRIDGES:

CLAIMANT	Location of bridge	Amount claimed	Amount awarded
New York Central R. R. Co.	Brewerton	\$139,300 00	\$109,385 14
New York Central R. R. Co.	Schenectady	138,843 00	138,477 63
New York Central R. R. Co.	East of Lyons	161,700 00	149,251 41
New York Central R. R. Co.	West of Lyons	166,877 43	166,877 43
New York Central R. R. Co.	Pittsford	574,205 27	158,458 84
New York Central R. R. Co.	Cayuga	465,174 08	422,183 53
New York Central R. R. Co.	North of Cayuga	201,095 00	148,114 71
West Shore R. R. Co.	East of Lyons	92,000 00	91,934 41
West Shore R. R. Co.	West of Lyons	53,328 02	53,328 02
West Shore R. R. Co.	Pittsford	727,830 91	200,000 00
Elmira & Lake Ontario R. R. Co.	Newark	52,324 82	35,249 07
Lehigh Valley R. R. Co.	East of Geneva	66,310 64	53,334 14
Lehigh Valley R. R. Co.	East of Geneva	41,773 19	41,773 19

Other important claims which were disposed of included the following:

CLAIMANT	Cause of action	Amount claimed	Amount awarded
Ansel J. Clark et al.	Appropriation of quarry land	\$20,000 00	\$7,600 00
Katherine A. Allen et al.	Appropriation of quarry land	21,006 80	4,000 00
Matthew A. Ryan et al.	Appropriation of quarry land	28,000 00	1,100 00
Ansel J. Clark et al.	Appropriation of quarry land	87,179 70	11,400 00
Holland-Dale Garden Co.	Overflow Clyde river, on Contract 46	22,201 50	6,265 00

Trial has been had in the following claims but no awards have as yet been announced:

CLAIMANT	Cause of action	Amount claimed
Waterford Electric Light, Heat & Power Co.	Appropriation of land and riparian rights on Contract 71-A	\$1,251,084 50
Fort Orange Construction Co.	Extra work on Contract 11	432,020 05
Robert Wetherill as Receiver	Extra work on Contract 20-D	430,511 61
Percy Jackson, as Trustee	Extra work on Contract 40	563,652 26

The above is intended to be a brief reference merely to the important work with which this Bureau has had to do. The small proportion which the awards secured bears to the amounts of the claims gives evidence of the painstaking investigations made and the efficient work performed in the defense of the State. Every incident occurring along the line of the canals which might possibly form the basis of a claim was noted and thorough investigation made immediately of all the surrounding conditions. It is significant to note that with the adoption and execution of the

policy of immediate investigations, the number of unworthy claims has dwindled practically to nothing. The knowledge having become general that no claim without merit could withstand the scrutiny of a Bureau possessed with accurate and fresh information concerning all the circumstances sought to be used as a foundation for the action, the filing of claims not based on just grievances has been discouraged, if not actually prevented. At all times the Bureau has been ready to place at the disposal of the Attorney-General complete information concerning any claim whose trial might be desired. When the day of trial was reached, a representative of the Claims Bureau was in daily attendance at court following the proceeding in all its stages and rendering constant aid to the State's attorneys.

Claims which had been long in the files of the Bureau were brought to light and every opportunity given the claimant to have the question at issue finally decided. To those claims which bore interest against the State, especial attention was given and vigorous action was taken to clear them from the calendar.

In addition to the assistance rendered by the Bureau in the preparation of the defense against claims, the Bureau has under its charge the appraisal of property taken for canal improvement purposes. In each instance, examination of the property has been made on the date of its acquisition by the State. Every effort was exerted to reach fair and prompt settlements with the owners. In these cases, agreements with a total of \$88,236.56 have been made during the year. They covered 65 separate parcels of land on 21 different contracts.

The Bureau as at present organized has shown itself to be a splendid instrument for the protection of the State's interests. At the same time, each citizen who may have suffered damage by the State's canal operations has been accorded fair and reasonable compensation for his loss. The record made during the past two years has been a splendid one.

ADDITIONAL DUTIES OF SUPERINTENDENT OF PUBLIC WORKS

In addition to the matters previously referred to in this report, the Superintendent of Public Works has been active during the

past year in connection with the performance of duties assigned to him by special acts of the legislature, constituting him a member of several commissions. These were as follows:

Member of the commission created by Chapter 806 of the Laws of 1920, to represent the State of New York at hearings before the International Joint Commission on Boundary Waters between the United States and the Dominion of Canada, with special reference to the project of improving the St. Lawrence River between Montreal and Lake Ontario to make the same navigable for ocean-going vessels.

Member of the Board of Conference created by Chapter 586 of the Laws of 1919, in relation to the proposed improvement of Harlem River by straightening the channel at Johnston's Iron Works, removing or altering High Bridge and widening and deepening the Harlem or Bronx Kills.

Member of the Labor Board appointed by the Governor, pursuant to the provisions of Chapter 894 of the Laws of 1920 for the promotion of better relations between workers and their employers, and for the prevention of strikes and lock-outs.

Member of Interstate Bridge Commission created by Chapter 506 of the Laws of 1916, to make an investigation as to the acquisition by the State of toll bridges over the Delaware River between the States of New York and Pennsylvania.

Member of Commission for the acquisition of land for the construction of fortification at Rockaway Point, pursuant to Chapters 13 and 130 of the Laws of 1917.

Member of Board of Conference created by Chapter 585 of the Laws of 1919, in relation to the proposed construction of a waterway between Gravesend Bay and Jamaica Bay.

Member of Board created by Chapter 317 of the Laws of 1917, as amended by Chapter 122 of the Laws of 1918 and Chapter 15 of the Laws of 1919, for the purpose of making studies relative to the project of constructing a canal on the south side of Long Island from Jamaica Bay to Peconic Bay.

Accounts of the work accomplished by these Commissions will be presented to you in other volumes.

EX-OFFICIO MEMBERSHIP IN SPECIAL COMMISSIONS

While the policy of making State officers ex-officio members of special commissions created to investigate or further projects of State interest is a wise one, it must not be overlooked that the ending of the term of office of any ex-officio member severs his connection with the work of the Commission. If his successor is to enter seriously into the matters pending before the Commission, its life must be prolonged. It has occurred to me that the business of the State intrusted to special bodies of this nature might be expedited if provision was made for the continuance in the Commission of ex-officio members after the expiration of their terms of office.

In speaking of this matter, I have especial reference to the Commission created in connection with the project of building a ship canal through the St. Lawrence River between Montreal and Lake Ontario. Becoming a member of that body by virtue of holding the office of Superintendent of Public Works, and realizing that the matter was of the highest importance to the State, I entered upon a thorough study of all elements and conditions connected with it. While the data collected is at the disposal of my successor, I feel that the intensive personal knowledge which I have gained concerning the proposition would be of value to the Commission. Notwithstanding that my official connection with the Commission will soon cease, it is my purpose to continue the work as a volunteer. It is evident, however, that any aid that I may be able to render would prove more effective if offered by one with official standing. I mention this as an instance only. Without intending any reference to myself personally, I suggest for your consideration in the case of future commissions the making of provision for the continuance in such commissions of ex-officio members after the expiration of their terms of office.

MONEYS COLLECTED

The total amount collected by the department during the 12 months ended November 30, 1920, was \$256,864.08. and was made up of the following items:

For the use of the Barge Canal Terminals and the warehouses and mechanical equipment connected therewith	\$81, 570 02
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For the temporary use of Barge Canal and Terminal lands under revocable permits...	\$6, 384 95
Proceeds from the sale of old and discarded materials in connection with the old canals.	6, 027 80
Considerations received for reconveyance of appropriated lands found no longer necessary for canal purposes	31, 761 62
Proceeds from the sale of sand and gravel from canal lands	1, 495 15
From railway companies on account of the operation of cars over the Hudson Bridge..	25, 109 03
From the railway company on account of the operation of cars over the Congress Street Bridge between Troy and Watervliet.....	4, 467 70
Considerations received for revocable permits issued covering use of canal waters by industrial establishments	17, 134 33
Fees received for the issue of certificates and licenses and for inspection of vessels under State Navigation Law	2, 257 50
Fees received for filing liens and chattel mortgages on canal vessels	23 50
Moneys received for furnishing towing facilities on the canals	68, 657 63
For sale of buildings at Rochester pursuant to provisions of Terminal Contract No. 70.	3, 500 00
Unexpended balance payable to State for construction of bridge at Amsterdam under Contract No. 118	2, 599 78
For sale of navigation charts.....	194 00
For sale of old buildings.....	955 00
For ice cutting permits	1, 580 22
From miscellaneous sources unclassified	3, 145 85
Total	\$256, 864 08

All such moneys were duly deposited in the State Treasury as required by law.

In the above statement I have not included the sum of \$250,000 paid to the State by the New York Central Railroad Company for itself and on behalf of its lessor, the West Shore Railroad Company, on account of conveyance to it of certain lands connected

with the abandoned canals and used as railroad crossings. This amount was fixed upon by the Canal Board under the provisions of Section 5-A of the Barge Canal Act as just and equitable compensation for rights in the canal lands at the location of various crossings. Since the moneys were received by the State on account of the canals, it is proper that the receipt of the same should be noted here.

RETIREMENT OF OFFICERS AND EMPOLYEES OF THE STATE

The first official of the department to take advantage of the provisions of Chapter 741 of the Laws of 1920, permitting the retirement of officers and employees of the State who have fulfilled the required conditions, is John E. Winne, Statistician, whose actual connection with the department terminated on December 31, 1920. Mr. Winne's period of employment covered 27 years. During that time, he rendered efficient service to the State as general clerk, statistician and expert appraiser of canal property.

CONCLUSION

Attached to this report will be found statements showing in detail expenditures made for the full calendar year, with an account of the bids received for the various contracts advertised and of the payments made to contractors. There are also annexed reports of the Assistant Superintendents and Superintendents of Repairs, relative to matters coming immediately under their charge. I also submit a statement showing in detail the moneys collected by the department from all sources and deposited in the State Treasury.

In closing, I desire to make public expression of my appreciation of the efficient service rendered me by the officials and employees of the department. I also extend to the State Engineer and Surveyor, the Attorney General and the Comptroller, whose departments have been intimately in touch with my own work, my keen appreciation of the co-operation which at all times has been given me

Respectfully submitted,

EDWARD S. WALSH,
Superintendent of Public Works.

APPENDIX "A"

NEW YORK STATE BARGE CANAL

FRIDAY, APRIL 9, 1920

UNITED STATES SENATE,

COMMITTEE ON INTERSTATE COMMERCE,

Washington, D. C.

The committee met at 10 o'clock a. m. in the committee room, Capitol, Senator A. B. Cummins presiding.

Present: Senators Cummins (chairman), Kellogg, Frelinghuysen, and Poindexter.

There were present the following gentlemen, officials and other representatives of commercial interests in the State of New York: Capt. William A. Burke and Capt. George Wagner, representing the Erie Canal Transportation Co.; Hon. Anthony J. Griffin, a Representative in Congress from New York; Hon. S. Wallace Dempsey, a Representative from New York; Hon. Edward S. Walsh, Superintendent of Public Works of New York; Hon. Walter W. Magee, a Representative from New York; Hon. Murray Hulbert, commissioner of docks of New York City; Mr. Frank M. Williams, State engineer; Mr. Henry W. Hill and Frank E. Williamson, Buffalo Chamber of Commerce; Charles N. Chadwick, Merchants' Association of New York; Elihu Church, chamber of commerce of State of New York; Fred B. De Berard, Merchants' Association of New York; H. S. Noble, Federal manager, New York Canal Section, Railroad Administration; Capt. John S. Pratt, Coast Artillery Corps; Capt. A. B. Fry, Merchants' Association of New York; Mr. Alexander R. Smith, editor Marine News, New York; Charles W. Ward, secretary chamber of commerce, Tonawanda, N. Y.; and Charles E. Reid, secretary Bronx Board of Trade.

The committee had under consideration the following joint resolution:

[S. J. Res. 161, Sixty-sixth Congress, second session.]

JOINT RESOLUTION To exempt the New York State Barge Canal from the provisions of section 201 of H. R. 10453.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That section 201 of the bill (H. R. 10453) "to provide for the termination of Federal control of railroads and systems of transportation; to provide for the settlement of disputes between carriers and their employees; to further amend 'An act to regulate commerce' approved February 4, 1887, as amended, and for other purposes," shall not be considered as authorizing the Secretary of War to operate, or cause to be operated, for commercial purposes, any boats, barges, tugs, or other transportation facilities upon the New York State Barge Canal.

The Chairman.—Gentlemen, the committee will be in order. I regret that there is not a full attendance of the members this morning, but we will take whatever evidence seems to be at hand and then it will be submitted to the other members of the committee for their consideration.

Senator Wadsworth.—Mr. Chairman, you and the other members of the committee, of course, will remember that at the time the railroad bill was finally passed by Congress, as it was carried in the conference report, the language in certain sections of the bill, section 201, was such as to clothe the Federal Government, through the Secretary of War, with power to continue in the commercial transportation business on internal waterways and canals.

Undoubtedly there has been a misunderstanding as to the meaning and intent of that section, which misunderstanding was made evident upon the floor of the Senate in the short debate that occurred, and I gathered the impression that it had not been the intention of the conferees to so draft that language as to include canal systems of the State of New York, upon a portion of which the Government had been engaged in transportation during the war.

It was impossible, of course, in that situation, to amend the bill, the railroad bill being of such tremendous importance, and it being absolutely impossible to pass it within a very few days, and so as soon as the railroad bill had been passed, I introduced a resolution,

Senate joint resolution No. 161, entitled "Joint resolution to exempt the New York State Barge Canal from the provisions of section 201 of H. R. 10453."

I imagine, Mr. Chairman, that the wording of that resolution can be improved upon. It was very hastily drawn. Its intent is clear, but undoubtedly it can be improved upon.

Immediately upon its introduction I communicated with the superintendent of public works of New York and afterwards the several organizations of the State interested in trades transportation and commerce generally, whether they were situated in New York or Buffalo, or any of the large cities of the State, and as the result of the introduction of this resolution, and more especially as a result of the announced intention of the War Department to continue to engage in commercial transportation upon the New York canal system, Mr. Walsh, superintendent of canals of the State, has in a measure organized this hearing.

The gentlemen who are here represent the leading commercial interests of the State as well as the government of the State, and if it is agreeable the superintendent of public works of the State will take charge of that portion of the work which has to do with the introduction of witnesses whom he thinks should be heard.

The chairman of the committee and the members of course already know my feelings on this question.

I think there would be a great mistake made and a hardship inflicted upon the people of the State of New York and to their canal system if this work were to be carried on by the Government.

The Chairman.—Mr. Walsh, the committee will be glad to have your views on this resolution.

STATEMENT OF HON. EDWARD S. WALSH, SUPERINTENDENT OF PUBLIC WORKS, STATE OF NEW YORK

Mr. Walsh.—Mr. Chairman, the superintendent of public works of the State of New York is charged by the constitution of the State with the operation and maintenance of its canal system.

In appearing before you to-day, I represent the State of New York officially. I represent the governor of the State of New

York, the canal board, and the legislature of the State, and I desire to invite your attention to the fact that on March 17 the canal board of the State passed a resolution in favor of Senator Wadsworth's resolution to amend the railroad bill, and shortly thereafter the Assembly of the State of New York and the Senate of the State passed a concurrent resolution indorsing the resolution of the canal board, and I believe a copy of that resolution is now before the President of the United States and the Secretary of War. I have the resolutions here, and if you wish them to become a part of the record, I shall be very glad to have that done.

The Chairman.—The resolution will be made a part of the record.

(The resolutions referred to are here printed in full, as follows:

Adopted by Canal Board March 17, 1920:

Whereas under date of April 10, 1918, this board duly adopted a resolution pledging the co-operation of the State in the plans of the Director General of Railroads to bring about a co-ordination of the use of the railroads and the canal system during the period of the war, to the end that the transportation of the greatest possible amount of tonnage on the canals might result; and

Whereas the operation of the Federal Government on the canals under the direction of the Director General of Railroads and his successor, begun in the navigation season of 1918, were continued during the season of 1919; and

Whereas the transportation conditions created by the military operations of the United States and which necessitated the use of the State canals by the Federal Government, no longer exist and the United States Railroad Administration act, under which such canal operations were carried on, has been repealed and the railroads returned to their owners; and

Whereas under the provisions of the railroad bill recently enacted by Congress all barges, tugs, and other equipment acquired by the Federal Government under the United States Railroad Administration act for operation on the inland waterways have been transferred to the Secretary of War so that the operation of such barges, tugs, and other equipment on the inland waterways under Federal control shall be continued; and

Whereas according to advices received by this board the plans of the Secretary of War include the further use for commercial purposes on the canals of the State of the barges and other equipment heretofore acquired for such purpose, and that such operations will be conducted by the United States engineers; and

Whereas it is the opinion of this board that no emergency or other conditions exist requiring the Government to continue its operations on the canals of this State; that the said operations have in no sense tended to develop

canal commerce; that during the season of 1919, the Federal barges carried freight on the canals when barges owned by citizens of this State were available for such use that such operations resulted in unfair competition and in discrimination against privately owned barges; and that the presence of the Federal Government in the cannal transportation field is a deterrent to the investment of private capital for the formation of freight carrying companies on which the ultimate success of the canals must depend: Now, therefore, be it

Resolved, That this board disapproves and opposes the continuation by the Federal Government of the operation of barges, tugs, and other equipment on the canals of this State for general commercial purpose; and be it

Resolved further, That it is the sense of this board that in justice and fairness to the State of New York all canal equipment heretofore operated and used by the United States Railroad Administration on the New York canals, or which has been constructed or acquired for such use should be transferred to the ownership of the State of New York for charter or sale by the State to those who will operate and use such equipment in the carrying of canal freight, such transfer to be in the nature of a partial return for the furnishing by the State, at its sole cost and expense, of a system of waterways connecting the Great Lakes with seaboard, at the disposal of the Nation and particularly in part compensation for conditions which have arisen in consequence of the Government's canal operations during the seasons of 1918-19; and be it

Resolved further, That copies of this resolution be forwarded to the governor and to the legislature, with the request that appropriate action be taken to make known to the Secretary of War and all officials of the Government having to do with such matter the opposition of the State of New York to the further commercial use by the Government of the State canals, and requesting that all said barges, tugs, and other equipment be transferred to this State, to the end that the State may take such action as may be necessary to secure their operation and use on the canals under private control and management.

By Mr. ———:

Whereas there has been duly presented to the legislature copy of resolution adopted by the Canal Board of this State at its meeting of March 17, 1920, calling the attention of this body to the proposed continuation by the Federal Government of freight-carrying operations on the State canals, pointing out the harmful effect of the same on the canal commerce, and urging that such action be taken as would lead to the withdrawal of such operations and the transfer of the Federal boating equipment to the State, such resolution reading in full as follows:

"Whereas, under date of April 10, 1918, this board duly adopted a resolution pledging the co-operation of the State in the plans of the Director General of Railroads to bring about a co-ordination of the use of the railroads and the canal system during the period of the war, to the end that the transportation of the greatest possible amount of tonnage on the canals might result; and

"Whereas, the operations of the Federal Government on the canals under the direction of the Director General of Railroads and his successor, begun

in the navigation season of 1918, were continued during the season of 1919; and

"Whereas, the transportation conditions created by the military operations of the United States and which necessitated the use of the State canals by the Federal Government, no longer exist and the United States Railroad Administration act, under which such canal operations were carried on, has been repealed and the railroads returned to their owners; and

"Whereas, under the provisions of the railroad bill recently enacted by Congress all barges, tugs, and other equipment acquired by the Federal Government under the United States Railroad Administration act for operation on the inland waterways have been transferred to the Secretary of War so that the operation of such barges, tugs, and other equipment on the inland waterways under Federal control shall be continued; and

"Whereas, according to advices received by this board, the plans of the Secretary of War include the further use for commercial purposes on the canals of the State of the barges and other equipment heretofore acquired for such purpose, and that such operations will be conducted by the United States engineers; and

"Whereas, it is the opinion of this board that no emergency or other conditions exist requiring the Government to continue its operations on the canals of this State; that the said operations have in no sense tended to develop canal commerce; that during the season of 1919, the Federal barges carried freight on the canals when barges owned by citizens of this State were available for such use; that such operations resulted in unfair competition and in discrimination against privately owned barges; and that the presence of the Federal Government in the canal transportation field is a deterrent to the investment of private capital for the formation of freight carrying companies on which the ultimate success of the canals must depend: Now, therefore, be it

"Resolved, That this board disapproves and opposes the continuation by the Federal Government of the operation of barges, tugs, and other equipment on the canals of this State for general commercial purposes; and be it

"Resolved further, That it is the sense of this board that in justice and fairness to the State of New York all canal equipment heretofore operated and used by the United States Railroad Administration on the New York canals or which has been constructed or acquired for such use should be transferred to the ownership of the State of New York for charter or sale by the State to those who will operate and use such equipment in the carrying of canal freight, such transfer to be in the nature of a partial return for the furnishing by the State at its sole cost and expense of a system of waterways connecting the Great Lakes with seaboard, at the disposal of the Nation and particularly in part compensation for conditions which have arisen in consequence of the Government's canal operations during the seasons of 1918-19; and be it

"Resolved further, That copies of this resolution be forwarded to the governor and to the legislature with the request that appropriate action be taken to make known to the Secretary of War and all officials of the Government having to do with such matter the opposition of the State of New York to the further commercial use by the Government of the State canals,

and requesting that all said barges, tugs, and other equipment be transferred to this State, to the end that the State may take such action as may be necessary to secure their operation and use on the canals under private control and management."

Resolved (if the ——— concur), That it is the sense of the Legislature of the State of New York that the commercial use of the New York State canals by the Federal Government shall cease and be discontinued, to the end that the said canals shall be restored to the status which they possessed previous to the year 1918, so far as the control of the movement of freight thereon is concerned; and be it

Resolved further, That the Legislature of the State of New York recommends and requests that all canal equipment heretofore operated and used by the United States Railroad Administration on the New York canals, or which has been constructed or acquired for such use, should be transferred to the ownership of the State of New York for charter or sale by the State to those who operate and use such equipment in the carrying of canal freight; and be it

Resolved further, That a copy of this resolution be forwarded to the President of the United States, to the Secretary of War and to the Representatives of this State in the Congress of the United States.

Mr. Walsh.—I will say that the gist of the resolution is simply this, that for three years the canal system of the State of New York has been operated by the Federal Government—or, rather, two years, 1918 and 1919—and we fear another year. In 1918 the operations were conducted entirely under the control of the Railroad Administration. We understand that this year the control of the operations of the Federal line will be in the hands of the War Department.

The Federal operation of our canal system has been absolutely destructive of private enterprise. Nobody will engage in transportation on our State canal system simply because they can not and will not, and they would be foolish if they did, undertake to compete with the United States Government.

We have investigated the matter thoroughly, and have been from one end of the State to the other trying to get the people to organize transportation companies and trying to get them interested in their own institution that they have spent nearly \$200,000,000 on—the canal—and which they feel belongs to them.

The canal system of New York was built entirely by the people of the State, and they resent any interference on the part of the Federal Government in the management of their own internal

affairs, as far as transportation on their own waterways is concerned. They do not want it, and they are sick and tired of it, and are discouraged with it.

Now, that is the sentiment of the people of the State of New York as expressed and reflected by the resolutions passed by the Senate and Assembly and subscribed to by the Governor and passed by the Canal Board.

The Chairman.— Is this canal toll free?

Mr. Walsh.— Absolutely so; yes, sir; toll free.

The Chairman.— Why is it that the ownership of the barges by the Federal Government, or some of the barges, has such a serious effect upon the transportation by other barge lines?

Mr. Walsh.— Because all barge lines, or all boat lines like every other line of business in the country, are maintained on the presumption that profits will accrue. It apparently made but little difference if the Government-controlled barge lines in 1918 made money or lost money. Private carriers could not compete with the Government and showed no disposition to attempt to compete with them.

We built this canal for a specific purpose, and that purpose is being defeated by the operation of the canal by the Federal Government.

The Chairman.— The canal itself is operated by the State, is it not?

Mr. Walsh.— Yes, sir; the canal physically is operated by the State.

The Chairman.— And the State supports the canal?

Mr. Walsh.— Yes, sir.

The Chairman.— And maintains it?

Mr. Walsh.— Yes, sir.

The Chairman.— And charges nothing for the use of the canal?

Mr. Walsh.— The canal is a free highway for traffic.

The Chairman.— I wish you would make it a little clearer why the presence of the Government-owned barges prevents the use of the canal for privately owned barges?

Mr. Walsh.— Because privately owned barges will not compete with the Government lines. No private enterprise will. I think there are gentlemen in this room to-day who were contemplating organizing a line, but they are discouraged and can not go into the business because they can not compete with the Government.

The Chairman.— Do you mean it is because the Government charges so low a rate of transportation that private enterprise would not compete?

Mr. Walsh.— No, sir; it does not make any difference what the Government charges, it is operated practically at a loss, or was last year and in 1918. As a matter of sentiment, nobody will engage in opposition to the Government in the transportation field or any other field. The State of New York feels that when the railroads were returned to private ownership the operation of our State canals should have ceased at that time. We do not feel that our canal should be operated by the War Department or by the Federal Government or by any department of the Federal Government.

The Chairman.— I am trying to get the reason which lies at the bottom of it. Are the private barges now being operated on the canal?

Mr. Walsh.— There are many hundred private barges that want to operate but can not. The commerce belongs to them, in other words. The commerce that was built up by the owners of the private lines has been taken by the Railroad Administration on the Government-operated line. They can not get the business. In 1918 the Government, for instance, not only controlled the grain, but they controlled the routing of the grain, and controlled the boats that carried the grain. Private enterprise could not compete against a situation of that kind.

The Chairman.— They do not do that now?

Mr. Walsh.— They do not do that now, but in 1919 the Government operated boats carrying the freight that was formerly carried by citizens of the State of New York on their own property. They built their boats for that specific purpose, and that purpose was frustrated by the Government going in and competing with the individuals and taking the individuals' living away from them.

The Chairman.— How many privately owned barges are there on the canal now ?

Mr. Walsh.— Seven hundred and ninety, I believe.

The Chairman.— Are they simply tied up and not being used ?

Mr. Walsh.— No ; they are struggling along and doing the best they can. But they are disgusted and can not operate them.

The Chairman.— What proportion of the traffic is carried by privately owned barges ?

Mr. Walsh.— A large proportion. Last year, of course, the Government-owned boats did not carry, but it is the influence that it has upon the whole situation that we resent. Our canal, instead of being a success, has been a distinct failure for the past two years, and it is the most crucial period of the canal's history. We are trying to finish it, and the only way in which we can finish it is to have citizens of the State of New York to invest in the enterprise, in their own canal, and they will not invest one penny until Government operation ceases.

The Chairman.— Has it been a failure because of the diverting of traffic from the canal to the railroad ?

Mr. Walsh.— Yes, sir.

The Chairman.— Or for any other reason ?

Mr. Walsh.— That is the main reason, the diversion of traffic from the canal to the railroad.

In 1919, when the State of New York offered its canal system and the operation of it to the Federal Government as a war measure, they did it because we believed the railroads of the country were actually and truly congested.

The Government took over every boat on the western division of the canal that was worth while taking over under charter, and for the first time in the history of the canal system of the State since 1846 it carried less tonnage than it did in any year since 1846.

The Chairman.— Did it take those boats over and pay for them?

Mr. Walsh.— It took those boats over and paid for them; yes, sir; but did not use them to capacity.

Senator Kellogg.— How many boats has the Government got?

Mr. Walsh.— At the present time, of their own, something like 76 — is that not so, Mr. Noble?

Mr. Noble (Railroad Administration).— There are 75 barges, and under construction for quick delivery 20 self-propelled barges.

The Chairman.— I have here a communication from the War Department, and I think I had better put that in the record now so that those who discuss this subject will be familiar with it. This is the view of the War Department:

WAR DEPARTMENT;

WASHINGTON, March 30, 1920.

HON. ALBERT B. CUMMINS,

*Chairman Committee on Interstate Commerce,
Washington, D. C.:*

MY DEAR SENATOR.— I have had brought to my attention Senate joint resolution 161, introduced by Senator Wadsworth, which has for its purpose the exemption of the New York State Barge Canal from the provisions of section 201 of H. R. No. 10453.

The War Department has no control over the physical features of the New York Barge Canal, as you know. The upkeep, maintenance, and repair of the physical features, and formulation of the operating rules and regulations, are matters under the control of the State of New York. The War Department, under the provisions of section 201, H. R. 10453, is required to merely operate a fleet of barges on the canal, and in its capacity as an operative it conforms to all the traffic rules and regulations prescribed by the Interstate Commerce Commission. This fleet will be operated on exactly the same basis as any other common carrier, without prejudice or favoritism.

During the season of navigation 1919 the United States Railroad Administration operated certain units on the New York Barge Canal. At the close of the season of navigation 1919 the following units were in operation:

Tugs owned, 5; tugs leased, 9; barges, concrete, owned, 20; barges, steel, owned, 48; barges, wood, owned, 3; barges, wood, leased, 2; total tugs, 14; total barges, 73.

In 1918 the United States Railroad Administration purchased the following floating units:

Tugs, steel, 4; tugs, wood, 1; barges, wood, 3.

In the same year the administration authorized and contracted for the construction of the following floating units:

Steel barges, 51; concrete barges, 21.

During 1919, the Railroad Administration authorized and contracted for the construction of the following units:

Barges, self-propelled, steel (oil burners), 20.

Of the foregoing, the 51 steel barges and 21 concrete barges have been delivered, accepted and paid for.

The purchase price and contractual obligation incident to the acquisition of the foregoing equipment will involve an expenditure of approximately \$4,482,347.61. Owing to the supplemental agreements entered into for structural alterations and for outfitting and equipping units not included in the original contract, the original amount will be materially increased.

The operations under Federal control of the New York Barge Canal may be considered, more or less, in the light of an experiment. The equipment is of the newest type, heretofore untried, and therefore the activities under Federal control are rather in the nature of a try-out and commercial development. As the cost of new construction represents a considerable outlay of funds, and as the project has the characteristics of an experiment, I believe it advisable that the War Department have an opportunity to conduct the operations as now contemplated in order that a thorough test may be made which, undoubtedly, will result beneficially to the community generally.

In view of the foregoing I recommend that favorable action be not taken on S. J. Res. 161.

Very respectfully,

NEWTON D. BAKER,
Secretary of War.

WAR DEPARTMENT,
WASHINGTON, April 8, 1920.

HON. ALBERT B. CUMMINS,

*Chairman Committee on Interstate Commerce,
United States Senate, Washington, D. C.:*

MY DEAR SENATOR.—Referring to your letter of April 3, and to mine of the 30th ultimo, I have the honor to advise you that Mr. H. S. Noble, Federal manager of the New York Barge Canal section of the inland waterways, will appear before your committee on Friday, April 9, at 10:30 A. M., and will be prepared to furnish to the committee such details relative to the matters referred to in my letter as the committee may desire.

Mr. Noble served as Federal manager under the Railroad Administration in the New York section of the Barge Canal prior to the transfer of these activities to the War Department, and since March 1 has continued on the same duties as the representative of the War Department.

In addition to whatever testimony may be given by Mr. Noble, I suggest that my letter of the 30th ultimo be made a part of the record, as suggested by you.

Cordially yours,

NEWTON D. BAKER,
Secretary of War.

Senator Frelinghuysen.— May I ask whether these barges are operated by the War Department as a measure of national defense?

The Chairman.— No.

Senator Frelinghuysen.— Or whether they are simply common carriers entering into the business?

The Chairman.— Their situation is this — possibly I may be pardoned for explaining it just now: The Railroad Administration took over some of the water transportation of the country, and part of it was the New York State Barge Canal — that is, certain facilities upon that canal — and part of it on the lower Mississippi and part of it on the Warrior River, and when it came to turn the roads back to their owners, we had to determine what to do with certain of this water transportation that was acquired under section 6 of the Federal control act. Personally, I had been informed that the provision which was in the House bill which turned these facilities over to the War Department did not include the New York State Barge Canal. That was not in my mind at all when the bill was passed. I thought I had information to the contrary, but it turned out that I was mistaken about that, and these facilities were turned over to the War Department simply because we did not know where else we could put them, and there was a great insistence that we should continue to carry on the transportation which had begun on the lower Mississippi River and upon the Warrior River. Now, that is the history of it. It is not intended as any part of the national defense. It is purely a commercial enterprise.

Mr. Walsh.— Then, do I understand you to say, Senator, that it is the intention of the Government to compete with private enterprise in the State of New York, on the State of New York's own canal system, as a commercial proposition? Is that fair to the people of the State of New York who have spent hundreds of millions of dollars in the development of their waterways?

The Chairman.— The Government acquired a very great problem in taking over the railroads, and we were trying to let go, and

it was not very easy to find out just how to let go. I am only answering you from my own personal standpoint.

Senator Frelinghuysen.— Does not this involve an entirely new policy by the Government, to operate as common carriers commercial transportation vessels?

The Chairman.— I think it may be said to be an entirely new policy. We are operating a railroad in Alaska, and we are operating a railroad at Panama; but take the continental United States, and I think it can be said to be entirely a new policy, and I think all the members of the committee feel that, wherever it applied, it was a temporary policy only.

Senator Frelinghuysen.— But as far as the Alaskan railroad is concerned, and the Panama railroad, we are operating them entirely. There is not a divided control.

The Chairman.— There is not a divided control here.

Senator Frelinghuysen.— But there is competition, where there is none on the Alaskan and Panama Railroads because they are Government-owned lines.

STATEMENT OF CAPT. WILLIAM E. CLEARY, VICE PRESIDENT NEW YORK BOARD OF TRANSPORTATION.

Capt. Cleary.— Was it not simply the purpose in taking over these railways to help in the war?

The Chairman.— You know as well about that as I do.

Capt. Cleary.— If that is true, war being over, the Government has no control and no interest in that canal, and why continue it; for what purpose? Does anybody know any reason for continuing it?

The Chairman.— That is what we are endeavoring to find out here.

Capt. Cleary.— I desire to say that I was president of the Canal Boat Association in 1880 when we had on a campaign for free canals.

Mr. Walsh.— And you were a Member of Congress?

Capt. Cleary.— Oh, yes; and I remember at that time all these organizations that are here now, and others, held great meetings and had great parades in New York in trying to impress, through the press, the public necessity of a great free waterway. In 1882, when Cleveland was elected governor of the State, we carried through the project for the free waterway, and that was for the purpose of enabling New York, and assisting the western country back of New York, in taking its grain through cheap. The State no longer charged tolls. They used to pay a cent a bushel in my time. The boats used to carry 8,000 bushels, but they threw that all off and supported the canals themselves.

Now, every organization in New York State, the New York Board of Transportation I see represented here to-day by its secretary, and I happen to be vice president of that organization, and have been trustee of it for over 30 years, so that I remember well — I do not suppose the committee is much interested in this — that back in 1885 the New York Board of Trade and Transportation organized a canal union for the purpose of impressing the importance of the canals. We held the first convention in Utica, and I am only mentioning this to show the great interest of the great commercial bodies of New York in that canal. It was their pride and their glory. They felt that from the time of the Clinton bill, a hundred years ago.

At that time New York was only one-third of what it is in commerce and population to-day. So the matter came to the front, and it was the glory of New York, so New York put her hands in her pockets and spent \$200,000,000 for the interests of the people of the Northwest, just as well as their own, and then it became a place, to my knowledge where all the young men who had not anything else to do — the farmers along the line of the canal, living in Pennsylvania and southern New Jersey — they would have five or six sons, and there was no room for all of them on these little farms and they would buy a boat and run on the canal. It became a private enterprise. I organized that corporation on that canal of the boatmen — picked up boatmen and organized them into companies so they would not have to pay brokerage to anybody.

So I am somewhat familiar with that matter. It was a private enterprise on the part of those citizens. Every fellow went in his own boat. A little later on there were more people to organize companies, who owned a few boats, and it was generally a private enterprise by the citizens of New York. They made a business of it. It was a commercial business, and greatly to the interests of New York. It attracted business there, and attracted it the other way.

To show you how cheap we used to carry it, I contracted in 1888 for 20,000 tons of steel to Joliet, Ill., for \$1.85 a ton. I have carried hundreds of thousands of tons from New York to Chicago for \$1.50 a ton.

Those things were done by the individual boatmen, because they lived on their boats; their children were on the boat. Sometimes their boys were drivers, etc., on the boats. There are a couple of young mere here who were brought up on the boats. I remember that man there [indicating] as a little boy, on his boat.

So it went along, and it was a great thing for New York, but after they began to improve the canal, of course the old fellows went out of the business. We got a little short of boats, and it was not such a large factor as it used to be. The railroads, of course, improved the cars. In my time I used to receive fifty-five cars, and it got to be 105. Now we have lots of boats in New York Harbor where they are loading them right along with 505.

So a canal has to be improved in order to remain. I remember going to Albany one time — just to state some experience — with a man opposite me and stayed there two weeks in 1894 to get into the constitutional convention, which secured the improvement of the canal — a Republican convention.

I am only citing these things to show the great interest in this matter.

There are members here from the Produce Exchange of New York, the board of trade and transportation, manufacturers, and every concern in New York that want their canal.

They said to the Government, generously, when the Government needed it, "take our canal and everything we have." Now that the war is over there is no reason for the Government owning a canal or controlling it.

The Government's duty is clear. To sell these boats to the highest bidder, just as they are selling off a lot of their extra vessels. They do not need them at all. There is no reason in the world why the canal should be controlled one day longer by the Government than they can get rid of their property. If there is, show us the reason, and we, like good patriotic New York citizens, will comply with the demands of the Government if they get into war or any trouble. But when we are out of war, why should the Government undertake to operate the canal?

There is another consideration. It requires science to operate those boats. I was in that business for forty years and ought to know something about it, and I know that in order to run those boats properly you have got to know the boats and know the merchants, and to know how to draw just enough freight to enable them to take it promptly when it comes.

I asked Mr. McAdoo about this two years ago. The New York Board of Trade and Transportation came down here. We had a hearing with Mr. McAdoo on the subject, and I asked him why they kept the freights so close that the freight boats were not able to get up to it. He said, "you know we have to protect the roads so that the railroads will pay." That was not what the people of New York estimated. I told him I thought he should make the rate so much on the Buffalo boats and so much on the New York boats, and that the boat could carry it as cheap as she wanted to through the canal. But they did not want to do that just then, because they wanted to make the railroads pay.

So that the interests of the people of the State of New York in New York's canals are not the interests of the general Government, and they should not be mixed at all. The people of the State, the great commercial bodies of the State, have a knowledge of what the people of the State of New York want. They have sent their superintendent down here, who is familiar with the situation, and I know, too, Mr. Chairman, that all you said about that bill matter is correct. I went to Mr. Esch, who was chairman of the House committee, and asked him to put in there a little clause similar to what Senator Wadsworth is suggesting here, but he said, "We are in such a hurry to get this bill through that the

Government does not intend to bother with the canal. It is only the Ohio River that they are after, and the Erie Canal will be sold right out." That was his thought and the thought of the committee. I wrote to the Secretary of War the other day, but I have not received an answer as yet — but there is no earthly reason existing why we should keep the canal for the Government. The people of the State of New York, as represented in this chamber, believe there are hundreds of reasons why they should let go. And there you are.

If anyone desires to ask me any question, I am an old canaler, and a business man connected with the matter, and I shall be glad to answer you. [Applause.]

STATEMENT OF HON. EDWARD S. WALSH — RESUMED.

Mr. Walsh.— I would like to add to my remarks that in this room to-day there are the representatives of every business organization of any importance in the State of New York. We also have with us resolutions adopted by those organizations that could not send representatives here — the chambers of commerce and every board of trade from Buffalo to New York, inclusive, has their representatives here by resolution, or have actual representation.

New York wants the Federal Government to cease operation on their canal system. New York wants to finish its canal system, and to do so it stands ready to appropriate \$30,000,000 for that purpose. But that \$30,000,000 will not be provided for the canal system if the Government continues to operate it. That is the sentiment throughout the whole State. We have traveled through every city, town and hamlet in the State, and we have ascertained that that is the way the people feel. They feel as though they lived in occupied territory.

The War Department of the Federal Government is in there operating their boats on their canal and driving them out of business.

There are two men sitting in this room to-day who represent the principal private carrier on the canal system of the State. The people are practically put out of business; men who have

invested their earnings and savings for a number of years in the boats, never for a minute dreaming that the great United States Government was going to put them out of business on their own waterways. I am referring particularly to the captains there—Captain Wagner and Captain Burke. Is that not correct, Captain Burke?

Capt. Burke.— Yes, sir.

Mr. Walsh.— Can you compete with the United States Government on the canal?

Capt. Burke.— No, sir.

Mr. Walsh.— Did they drive you out of business?

Capt. Burke.— They did for half the time.

STATEMENT OF HON. S. WALLACE DEMPSEY, A REPRESENTATIVE
IN CONGRESS FROM NEW YORK.

Mr. Dempsey.— Mr. Chairman, this committee unquestionably, we are all sure, wants to do simply what is the best thing to do, and I think the question is a little bit broader than has been indicated by the discussion up to this point.

Primarily the State of New York and the country wants the traffic to be carried on on the Erie Canal to its capacity. The question is how that shall be done. Congress has voiced its sentiment in the passage of the railroad bill, framed by the chairman of this committee, as to Government ownership, and in no uncertain tones, and what applies to the railroads applies with equal force to the canals.

So I think the committee is fully aware of the sentiment of the country and the sentiment of Congress toward Government operation of a public carrier. But the question is, how we shall continue, and that is the broader question to which I refer, how we shall commence, rather, and have traffic on the Erie Canal to carry freight from the west and between local points.

The Government took over the Erie Canal during the period of hostilities. It represents an investment of \$200,000,000. For its

use of that canal it has not done as it did in the case of the railroads, establish a standard rate and pay it to the people of the Empire State. They took it, seized it, and operated it very little, because they wanted to carry the freight by the railroads to diminish the deficit and have not returned to the State —

The Chairman.— This is a point where the committee was probably misinformed. The Government never took over the New York State Barge Canal for operation, and we were informed when this bill was before the committee — at least I was informed — that barges which had been acquired had not been acquired under the Federal control act. That was the information upon which I acted. As to this bill, of course that part of it came from the House. It was not in the Senate bill at all in this way, and I took it for granted that these barges and tugs, whatever facilities the Government acquired, were not acquired under section 6 of the Federal control act and would not pass to the Secretary of War under the bill that has now become a law.

The only thing that interests me at all is this: We have done this thing. It appears that these barges were acquired under that section of the act, and that they did pass for operation to the Secretary of War under the act. Now, shall we undo what we have done? Is there good reason for requiring the Secretary of War to dispose of these barges and entirely cease the operation of any transportation facilities on the New York State Barge Canal? That is the question.

Mr. Dempsey.— I think that that is answered, Mr. Chairman, by your action on the railroad bill. I think that the sentiment of the country as to the operation of a common carrier by the Government was conclusively and emphatically and beyond any question shown by the vote on the bill which you prepared.

The Chairman.— Well, you can take that for granted. I think that is the sentiment of practically every member of the committee, that transportation should not be carried on directly by the Government.

Mr. Dempsey.— Now, having disposed of that, I think that your resolution is good so far as it goes, but it should go further.

Senator Poindexter.— Does the Government operate those barges now?

Mr. Dempsey.— Yes, sir.

Senator Poindexter.— They carry freight more cheaply than private operatives can carry it?

Mr. Dempsey.— I am not informed as to that, and I am not greatly interested in it. I think the question is a very much broader question. I think we have decided that Government operation is not a wise thing.

The Chairman.— May I say, Senator Poindexter, that I read this letter of the Secretary of War before you came in. When this resolution came before the committee, in accordance with the custom that we nearly always follow, I transmitted it to the Secretary of War for his suggestion, and in response to that communication of mine, I have a letter from him in which he states specifically just what barges and tugs the Secretary of War has now in his possession, coming to him under the railroad act, and he recommends a continuation of the operation of those barges. They comprise a very small part, of course, of the entire commerce of the canal. We have seventy-three barges, and then, in addition to that, they authorized the construction of twenty-seven more, and self-propelled barges, twenty, and the purchase price and contractual obligation incident to the acquisition of this equipment is approximately \$4,500,000.

Mr. Dempsey.— What is the date of the letter?

The Chairman.— The 30th of March.

Senator Wadsworth.— May I ask a question? Can you ascertain from anybody present when the contract was made for the last barges that were built for the Government?

The Chairman.— The question is asked with regard to the date at which the Government contracted for these last barges.

Mr. Noble (Railroad Administration).— The twenty-seven — early in February, 1919.

Senator Wadsworth.—After the war was over?

Mr. Noble.—After the armistice had been signed.

Mr. Dempsey.—Three months later.

The Chairman.—That was done, of course, by the Railroad Administration?

Mr. Noble.—It was done by the Railroad Administration.

The Chairman.—There have been no contracts of any kind made since the railroad act was passed?

Mr. Noble.—No, sir.

Mr. Dempsey.—Now, if the committee please, I think you will readily agree that this resolution, so far as it goes, is in accord with the action of Congress. I think that the committee will readily agree that the action of Congress shows the state of the public mind as to Government operation and that the committee will act in accord with it; so that the resolution, so far as it goes, expresses the wish not alone of the State of New York but expresses the wish of the country at large. But at the same time that resolution should go further. While the Government did not, as a matter of law, take over the exclusive operation of the Erie Canal during the period of hostilities, as a matter of fact, it did, because it not only put on a dozen barges, but it took into its control and under its operation all barges that operated on the canal — every available barge that was seaworthy — that could navigate the canal at all. So, during that period they had exclusive use of the waterway which had cost the State of New York \$200,000,000, and as I started to say before, they did not fix a standard return and pay the State of New York that standard return, as they did with the railroads, and they paid them nothing.

Now, it seems to me that in fairness and justness the Federal Government ought at least to do this, and that there should be an additional provision in this resolution — they ought at least to turn over these barges, those that are completed and have been operated and those that are under construction, to the State of

New York as compensation for the use of this \$200,000,000 investment, on this \$200,000,000 canal during the period of hostilities.

At 4 per cent it would be \$8,000,000 a year, many times in excess of the highest possible value of these barges, and the State of New York would then dispose of them to private owners, and we would in that way obtain a start on this new canal to carry the congested traffic of the West and of the various parts of the State of New York itself. It is important here that nothing should be done which would deprive the State of New York and deprive the Nation of the use of those barges on the Erie Canal for one moment. Let me illustrate it to you.

I have on my desk a letter that I received yesterday from a farmer in my district, in western New York, in which he advises me that an embargo has been laid on tractors, and farmers, with their shortage of help and inability to get sufficient help to run their farms, are unable to get that labor-saving device because the railroads cannot carry the tractors to them, and under such circumstances it would be little short of criminal to deprive the State for one moment of the use of these barges. That, I think, is of supreme importance in this resolution.

So I think there should be added to it a clause providing in substance or in effect, as the committee should find to be the proper way, that in compensation or part compensation for the use of this waterway during the period of hostilities these barges should be turned over to the State of New York, to be disposed of by them as they see fit, in furtherance of the increase of traffic on the Erie Canal. There should not be any question of those barges being sent elsewhere or their being diverted to some other waterway. They were constructed for the Erie Canal, and they should be kept there. That is the natural gateway and waterway between the East and West, and we have spent these \$200,000,000 to make it a 12-foot depth. It is ready for operation, and all we need is the boats, and we are ready to operate them the instant the National Government turns them over; and it is important it should be done speedily, because the season of navigation will open in about three weeks.

The Chairman.—Has the State of New York made any claim against the Government for the use of the waterway?

Mr. Dempsey.—I do not think it has.

The Chairman.—Why do they not do it?

Mr. Dempsey.—Well, I suppose it is just an excuse that what is everybody's business is nobody's business; and a great municipality does not always think of its rights in a given case. But if it is necessary for the purpose of passing this resolution, I have no doubt at all that the machinery will be provided.

Mr. Walsh.—May I answer that question, Mr. Chairman? The State of New York is too patriotic to exact any toll or ask any price for what it did for the Nation in war. The State of New York simply wants to be let alone and transact its own business in its own way on its own enterprise.

The Chairman.—I know that.

Mr. Walsh.—We think it would be the smallest thing that the Nation could do in return for what the State has done for the Government to turn over its barges that have cost it so much, and the taking of which has put us so far back in our progress. We could find use for them right now on the canal.

The Chairman.—Of course, it was my understanding that the Railroad Administration was of the mind and it took the position that the Government had not taken possession of the canal.

Mr. Walsh.—The Government did not take physical —

The Chairman (interrupting).—And therefore was not obligated to the State for the use of the canal.

Mr. Walsh.—If I may suggest, the situation is something like this: Suppose you did not take over the New York Central Railroad physically but did take over its cars, how could the railroad function without its cars?

The Chairman.—The State of New York does not own the facilities of the canal.

Mr. Walsh.— But it took the carriers. The Government chartered the carriers. In other words, I may say that personally I was in the transportation business all my life until 1918. I could not serve my country in 1918. I was deprived of that right because the Railroad Administration took away every facility that the State might have access to on the canal, and for the first time in the history of the country, 95 per cent of the boats that were in the harbor of New York in 1918 did not relieve any railroad congestion that fictitiously existed at that time. They left New York City for the first time in their history without a pound of freight in them.

The Chairman.— Of course we want to get the real facts.

Mr. Dempsey.— Let me make one suggestion. The superintendent has suggested that New York was thoroughly patriotic and ready to do all that could be done to support the Government during the war. Do you not think, Mr. Superintendent, that this would be a good opportunity for the Federal Government to return in some slight measure that patriotism by turning over to the State what would be wholly inadequate compensation for those barges?

Mr. Walsh.— I do; yes, sir. [Applause.]

Senator Frelinghuysen.— Is not the question we are considering whether competition shall or shall not be removed? Is that not the purport of the resolution?

The Chairman.— The resolution seeks to repeal that part of the railroad act which confers upon the Secretary of War the authority to take and operate these barges. That is the effect of the resolution.

Senator Frelinghuysen.— The question of compensation is not included in the resolution, of course?

The Chairman.— No; I suppose not. It has been my understanding, and I suppose that is the way we were misled, that the canal was not taken over by the Federal Government at all, but that they did take over certain barges.

Mr. Walsh.— The operation of its carriers.

The Chairman.—But they operated on the canal and left the operation of the canal with the State.

Mr. Walsh.—The physical operation of the locks and structures remain with the State.

The Chairman.—We assumed, when the Government took over the barges—whatever barges they did take over, belonged to private persons. It paid for those barges—

Mr. Walsh.—No, sir; it only chartered them on a day basis. That deprived everyone else from using those barges and they were going up and down without any freight in them. Some of the boats represented by those gentlemen made a trip and a half. When they were operated by the owners themselves they made six and seven round trips. I have in mind two fleets of boats that took 123 days to go from Buffalo to New York and back again—123 days, when we used to make five trips in that time.

Mr. Chairman, Congressman Magee desires to make a short statement to the committee.

The Chairman.—We shall be glad to hear Mr. Magee.

**STATEMENT OF HON. WALTER W. MAGEE, A REPRESENTATIVE
IN CONGRESS FROM THE THIRTY-FIFTH CONGRESSIONAL
DISTRICT OF NEW YORK.**

Mr. Magee.—Mr. Chairman, I especially appear for the Syracuse Chamber of Commerce; and if you will permit me, I will file this telegram to be inserted in the record of this hearing.

The Chairman.—The telegram will be inserted in the record.
(The telegram referred to is here printed in full, as follows:)

SYRACUSE, N. Y., April 7, 1920.

HON. WALTER W. MAGEE,

Washington, D. C.:

Board directors chamber of commerce request you kindly represent them at hearing before Senate Committee on Interstate Commerce, Washington, Friday, 9th. Chamber favors discontinuance Government canal operation; also that Government should turn over to State all equipment purchased, to be sold or chartered to private interests.

WM. ALAN DYER,

President Syracuse Chamber of Commerce.

Mr. Magee.—The chamber is in favor of the discontinuance of Government operation.

Senator Poindexter.—I would like to ask you, before you get started on your argument, to state to the committee—and I do not mean to indicate any views that I have on the subject by my question—why the Syracuse Chamber of Commerce wants the Government to discontinue its operation. That is what we want to know here.

Mr. Magee.—I am going to do that, Senator. I am not going to make an argument. They want the Government to sell or charter these barges to private interests. The whole question in a nutshell was suggested by Senator Frelinghuysen. It is a matter of competition.

They contend—and I do not think there is any division of sentiment; the sentiment is overwhelming amongst my people, regardless of party or persons—that it is a matter of competition. They claim the Government barges are in competition with private enterprise in carrying and transporting products by means of the canal. In other words, they think that a similar situation would be created if the Government in turning the railroads back to their private owners had retained the right to run certain trains upon certain roads entirely operated by the Government. As I have said it is merely a question of competition.

The Chairman.—What you want us to do is to discontinue the use on the canal of Government barges and to make some disposition of the barges?

Mr. Magee.—Yes.

The Chairman.—What disposition of barges or equipment do you feel ought to be made?

Mr. Magee.—We think they ought to be sold or chartered to private interests, and that the Government should not continue in competition with private interests in transporting products over this canal. That is the only proposition, as I see it, that is involved. It is a mere question of competition.

We were willing to do everything we could in time of war; that goes without saying; and as far as I know, nobody would think of presenting any claim against the Government for anything that New York did in aiding the Government in time of war. We are always glad, and always have been glad, to do everything we could, but now that the war is over and this competition exists on the part of the Government, it is a curb to private enterprise in getting back to normal conditions and getting the people to do business unhampered. That is the only question, as was suggested by Senator Frelinghuysen.

Senator Poindexter.— I largely agree with that general principle, but the superintendent stated a moment ago that it took the Government 123 days to make a round trip, while on the private barges they could make seven or eight round trips in that time. I imagine that it would not be very difficult for the private barges to compete with the Government.

Mr. Magee.— I do not know as to the time of operation.

Mr. Walsh.— That is true under normal conditions, but normal conditions did not exist then.

Senator Frelinghuysen.— May I ask you a question? Is it not true that as long as the Government fleet of boats on that canal, operating with practically unlimited capital because the Government is back of them, that private capital will not build boats and will not operate? [Applause.]

Mr. Magee.— Certainly. The whole proposition is in the suggestion made by Senator Frelinghuysen. As I understand it, speaking for my people, that is the only question here.

I thank you very much.

Mr. Walsh.— Mr. Chairman, will you kindly hear from Commissioner Hulbert?

STATEMENT OF HON. JEROME F. DONOVAN, A REPRESENTATIVE
IN CONGRESS FROM NEW YORK.

Mr. Donovan.— Mr. Chairman, I simply desire to state to the committee that I have an engagement and will have to leave, but

before doing so I desire to subscribe to everything that the commissioner has said and everything that Mr. Cleary has said in behalf of this resolution, and I now desire to be excused.

Mr. Cleary.—I just want to answer one suggestion that has been made here, and that is this: The reason we cannot compete is that the Government may lose all it pleases and pass an appropriation bill to reimburse itself, while anything that the individual loses there is no way of getting it back.

STATEMENT OF HON. MURRAY HULBERT, COMMISSIONER OF
DOCKS OF THE STATE OF NEW YORK.

Mr. Hulbert.—Mr. Chairman and gentlemen, it seems to me that the question before the committee is whether the Government, having acquired a fleet of tugs and barges for operation during the war, as a war measure, shall now embark upon the policy of the continued operation of this fleet as a commercial enterprise.

The State of New York is deeply interested in the question of the operation of the canal, because everyone in the State realizes that it was by the construction of the original Erie Canal that the city of New York obtained its commercial supremacy.

We are interested for another reason. A large proportion of the total expenses of the canal will be borne by the people of the city, and toward its operation the city has and will continue to turn over to the State substantial portions of its valuable water fronts for its Barge Canal purposes.

I would like to call the attention of the committee to the fact that the State of New York has pledged its credit for \$154,000,000 for the construction of this canal. That represents a series of bond issues aggregating that amount, most of which are issued at 4 per cent. In other words, the State of New York sustains an annual charge of \$6,160,000 for the construction of this canal. In addition to that the State of New York sustains an annual operation charge of \$1,250,000. Before we undertook the reconstruction of the old Erie Canal into the present State Barge Canal, the highest peak of commerce carried on the old canal was 6,000,000 tons. If the State of New York had not believed that the

improvement of this canal would have enabled us to carry more commerce upon the improved canal, we would not have undertaken it. But up to the present time the maximum tonnage since the canal has been reopened to navigation is only 1,238,000 tons. In other words, as an interest-sustaining proposition, it costs us \$4.09 a ton, and as an operating proposition it costs us a fraction of a cent more than a dollar a ton, based on the present tonnage.

Senator Poindexter.— When was the new barge canal opened to traffic?

Mr. Hulbert.— Practically last year, and to some extent the year before.

Now, in order to justify the investment of \$154,000,000 in capital at an annual maintenance charge of \$1,250,000, the State of New York must have the opportunity to build up a traffic on that canal which in tonnage will reduce the cost of the carrying charges of that canal to a minimum. We have received a very serious setback since the canal was ready for commerce, largely due to the fact that while the Federal Government did not actually take over the State Barge Canal, it did virtually take over the operation of the barges upon the canal, because the Railroad Administration fixed the rate upon that canal, and they fixed the rate on the canal the same as the railroad rate.

Now, everybody knows that the justification for water transportation is that it is cheaper than rail transportation, and when they built up the character of tonnage on this canal the people of the State of New York expected a profit when they authorized the reconstruction of it, when, under Government control, the rate during the war, or the rate on this canal, was the same as the railroad rate for the same commodity for the same distance. Is that not right, Mr. Superintendent?

Mr. Walsh.— Not all the time. It was reduced later on.

Mr. Hulbert.— Well, the point is this: The railroad rates were increased and the canal rates stood still, and that gave the canal practically only a differential of twenty cents; that is, the through

tonnage for 1919 on a waterway of this character. The through tonnage for 1919 was 279,284 tons. The Government boats carried 166,258 tons, while the private boats — and when I say private boats I mean boats of the types that were operated on the old canal and are still capable of being utilized for transportation purposes — carried 112,876 tons. There are only about 800 privately owned boats operated on this canal, and all but thirty of those boats are boats that were operating on the old canal.

In other words, the investment of the State of \$154,000,000 and an annual expenditure of \$1,250,000 for maintenance, has only produced thirty new additional boats on this canal, because private interests that would construct and that would operate a Barge Canal service on the canal, if it were to open a free canal, in the sense that the State intended it to be when it reconstructed it — have been prevented from going in in the first place because during the war the Government fixed the rate on the canal that made it unprofitable for private capital to invest, and now you have turned over to the War Department a fleet of boats that will operate on that canal under terms and conditions that no private operator can foresee, and consequently, no private operator can jeopardize his capital by inaugurating and operating a line on this canal, because he does not know the character of the competition he is going to meet from the Federal Government, if the Federal Government operates these boats that have been turned over to the War Department. [Applause.]

Let me indicate it, Mr. Chairman, and gentlemen, from another angle. I said a moment ago that we had turned over certain of our water fronts to the State Barge Canal. Down on the lower East River, in one of the most congested sections of the city, the city of New York tendered to the State Canal Board the title to old Pier 5 and old Pier 6, and those piers have been reconstructed with the idea of accommodating the Barge Canal traffic that has sought accommodation in that section of the city since the Barge Canal was originally constructed in 1825.

It was a great sacrifice to the city to turn over the two piers in that section because of the change in business that has taken place in the meantime; and over on the East River, and only a short

distance from Piers 5 and 6, the United States Army operates Pier No. 12, originally leased to them for the accommodation of the Quartermaster's Department of the Army.

Now we are facing a serious condition in New York in regard to dock accommodations. The coming on of the war, and one thing and another, prevented us from making any improvements from 1914 until 1919. There has been a tremendous increase in shipping on account of the vessels turned out by the United States Shipping Board for use in foreign service, which vessels are coming into New York and seeking accommodation. We have found it necessary to jam in the vessels at this pier and that pier, and at slips that were never intended originally for the accommodation of overseas traffic at all. We would like to have this Pier No. 12 on the East River. We thought that the Government had constructed an army post in South Brooklyn at a place that it had taken over, and that it might find facilities on its own property and enable the State of New York to take back the piers that the city built and leased to the Government, in order that we might turn them over for commercial operation.

I was surprised to find when I submitted that inquiry to the War Department the other day, that one of the suggestions they offered was in the operation of this inland waterways service as provided for in this bill; that they intended to utilize Pier 12 on East River for that purpose. I simply cite that to show that by this constantly diverse interest in the operation of our waterways system on the part of New York, we are going to be worse confounded, and we do not know where we are going to.

The chairman asked if the State of New York had made any claim for the use of the State Barge Canal. I do not understand that they have, and I concur with the Superintendent of Public Works in his statement that the State of New York is too patriotic to make any claim. But let me call attention at the same time to the fact that the State of New York probably has as fine a road system as there is in the United States. It is only a few years ago that our State voted a bond appropriation of \$100,000,000 for the construction of new roads, because 90 per cent. of the soldiers sailed from New York, and because 85 per cent. of the sup-

plies that were sent abroad were shipped out of New York, and the public highways of the State of New York were taxed by the heavy traffic of the army trucks to a greater extent than were the roads of any other State of the Union, and the State of New York did not ask for any compensation for that. When the proposition was submitted to Governor Whitman he turned it down. The State of New York would not ask the Federal Government for any compensation; on the contrary he said, "We built these roads for whatever purpose the highway might be called on to render, and we are only too glad that they were there to serve the purposes of the Government." But what has been done in recognition of that?

As I understand it, they authorized the Secretary of War to turn over the army trucks to the Highway Department of the State to be used in the resurfacing and reconstruction of those roads. It is commendable that the Government has done that and done it voluntarily, and done it in recognition of the patriotic service rendered by the States that contributed their existing highways to the use of the Government under those circumstances.

But why not apply that principle in this case? Why not give recognition of the service of our State, in not only furnishing the use of its highways but the use of its water highways, and turn over to the State those barges and those tugs and let the State superintend the public works, or the Canal Board, or the State of New York utilize them in the best interests of developing the waterway upon which the people of the State of New York were willing to go into their pockets for a total appropriation of nearly \$160,000,000. [Applause.]

Mr. Walsh.—Mr. Chairman, Mr. Williams, the State Engineer and Surveyor, would like to be heard for a short time.

The Chairman.—We will be glad to hear Mr. Williams.

STATEMENT OF FRANK M. WILLIAMS, STATE ENGINEER AND
SURVEYOR, NEW YORK STATE.

Mr. Williams.—Mr. Chairman and gentlemen, I merely wish to add to what the Superintendent of Public Works has said, and what the commissioner of docks has just given utterance to, this

thought: The State of New York has been in the canal business for almost 100 years. In that time it has never, as a State, adopted the policy of floating any equipment on that canal in competition with its citizens. It has since 1882 maintained that canal as a free canal, for the use not only of the citizens of New York, but the citizens of any other State who may desire to use it.

In 1918 the Barge Canal, which was the final improvement of the canal system of the State of New York, was completed. At that time the Canal Board passed a resolution stating that it would co-operate with the Federal Government in any use the Federal Government could make of that system during the period of the war. We were glad to turn over any facilities that we had. We did not attempt to pass to the Government of the United States the expense of operating the locks on that canal or maintaining the channel and carrying any of the expense of the canal itself. We merely offered the facilities that the canal afforded, at a time when according to the Government's own statement there was a congestion of freight.

Now, the Government came on that canal and operated it in the way that has just been described to you by the various speakers. It did not take over the actual roadbed of the canal for the operation of the structure, but merely took the floating equipment.

It seems to me that in view of the fact that the State of New York has expended its own money entirely in the construction of this canal, that it has had no aid from any outside source for its construction, that the policy of the State of New York has consistently been not to compete with its private citizens in the operation of that canal—that the Government of the United States would be taking a very peculiar position if it forced on the State such governmental competition which the State itself has never undertaken, and which, as the officials of the State of New York have said, the State is opposed to.

Now, what should be done with these barges when they are released from governmental control, if they are released? It seems to me that this is somewhat logical. The canal authorities of the State planned, when the canal was under construction, and worked with this idea, that it would be something like five years

after the opening of that canal before it would reach its maximum capacity. They were calculating on a peace-time operation. They felt that private capital would be attracted to the canal and its transportation system would be built up, not sprung suddenly like Minerva from the head of Jove into full being, but it would take a period of time.

Now, when the canal was opened in 1919 we were at war. We were not under peace conditions in any sense at all, and the difficulty of private capital coming in and developing that canal as it was planned by the canal authorities of the State of New York was because at that time the Government was in control and the building materials were exceedingly high, and there was no opportunity for developing the plan. We have been delayed in that development something like three years by a state of facts which are no more our fault than yours. We were at war.

It seems to me that in order to atone in some measure for that delay that some provision ought to be made by which those boats should be operated on this canal, and they should be operated by the State of New York, because they rightfully belong to the people of New York, and, if you please, that they shall be turned over to the State of New York.

Mr. Chairman, I do argue that in case of any disposition of these boats that some provision should be made by which preference should be given on the canal system of the State to the private ownership and private control, passing directly from your hands to such private control in the State of New York as may seem to you best. It seems to me that the whole matter of the failure to develop the canal while this Government operation is in control is psychological.

The Senator here [Senator Poindexter] outlined it precisely. It is not so much the actual fact of governmental operation and what we can do in the way of cutting rates in competition, but it is the uncertainty of what the Government is going to do. Private owners are afraid to come on this canal with the existing uncertainty as to how far the Government control is going to continue. If you release Government control, no private interest knows how long it will continue or to what extent it may go. There, it seems

to me, is the great difficulty. If we could be relieved of that uncertainty, it would give us a chance to develop our canal system.

Senator Kellogg.— Let me ask you a question: Do you know, if we should provide for the sale of these boats, whether any interest stands ready to take them?

Mr. Williams.— No, sir; I do not.

Mr. Walsh.— There has been a great deal of interest displayed so far by private enterprise in the boats.

Mr. Williams.— These boats were built for operation on Lake Erie, and they are more adapted to that canal than any other.

The Chairman.— We will have to suspend the hearing now, as the Senate is about to meet.

Mr. Walsh.— Mr. Chairman, I would like to introduce Mr. Hill, of Buffalo, who would like to be heard very briefly.

STATEMENT OF HENRY W. HILL, REPRESENTING THE BUFFALO CHAMBER OF COMMERCE.

Mr. Hill.— Mr. Chairman, I desire to say that Mr. Frank E. Williamson of the Buffalo Chamber of Commerce, who is present, desires to say that he is present in advocacy of the return of the canal system to State control. I desire to add just a word, as the arguments have already been somewhat lengthy, and I think you are all familiar with the situation.

Let me say that at the close of navigation in 1915 there were 155,000,000 bushels of grain from the West at the port of Buffalo. A large part of that grain was routed by the Railroad Administration by rail that ought to have gone partly by water. It would have inured to the producers in the West. The State has bonded itself, as has been stated, for \$154,000,000. Those figures correctly represent the aggregate bond issues.

As was stated yesterday, there is a further bonding proposition by the State of New York, in the sum of \$33,000,000, and as the superintendent of public works correctly said, if the restoration of

the canal to the control of the State be not made, no man can foretell what the taxpayers of the State of New York will do on this referendum measure, carrying \$33,000,000 to complete the canal system of the State.

It is a very serious question with us, and we think that the committee will see the wisdom of releasing the operation of the canal system of the State so that it will be returned to private ownership.

Now, one thing more. We have had several large companies ready to organize and construct boats and operate them. The answer has always been that they will not go into competition with the General Government, and you can not get the capitalists of the State of New York to invest a dollar under existing conditions because they do not know what the result will be. All the canals in the State of New York are free. The grain from your State, Senator, passes through without a cent's expense to the producer in Iowa; and so with all the products from the West. The canal system has been maintained at State Expense, as has been stated to you by Mr. Hulbert, and with interest carrying charges at 4 per cent on \$154,800,000, \$33,000,000 more will indicate to you something of the contribution that the State of New York is making to the commerce of America. If there was any hope that governmental operation would redound to the benefit of the country at large, we would not complain, but we know from experience — we have had to do with many proposed corporations in that State — and we know that they will not enter upon the matter of transportation under existing conditions.

Senator Poindexter.— What is the nature of the equipment as provided for in that bill?

Mr. Hill.— This bill provides for elevators and terminal facilities, not for barges. I am very glad you asked that question, Senator. This bill provides for grain elevators in New York — in Buffalo, Oswego, and Tonawanda, and for other matters that are incident to and part of the system itself.

Now the boats will have to be provided by private ownership.

The Chairman.— I think every member of the committee realizes the force of your suggestion. There is no such thing as competition between a Government and its people.

Mr. Hill.— It is not only that now but at this particular juncture it is exceedingly critical because if the canals be not returned to the State — I have had a great deal to do with referendum measures in New York — no man in this room can predict what the result will be.

The Chairman.— We will be compelled to suspend the hearing at this point, but I feel that we ought to continue the hearing to-morrow so that we may get the views of the War Department. Any members of the New York delegation who care to remain can also be heard to-morrow morning.

STATEMENT OF HON. JAMES M. MEAD, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW YORK.

Mr. Mead.— Mr. Chairman, I simply want to subscribe to what has already been said by the gentlemen who have appeared before you this morning. I make this brief statement because it will be impossible for me to appear before the committee to-morrow morning.

STATEMENT OF MR. CHARLES N. CHADWICK, MERCHANTS'
ASSOCIATION OF NEW YORK STATE.

Mr. Chadwick.— Mr. Chairman, I simply want to briefly refer to a quotation from yourself wherein you state that honorable rivalry is the greatest stimulus known to public effort. Is it honorable rivalry for the Federal Government, with its unlimited resources, to enter into competition with private effort? This question divides itself into two phases, first, constitutional, and second, economic. Has the Federal Government the constitutional right to enter into private business? Secondly, is it an economic proposition for the Government, with its unlimited power of taxation, to expect that private enterprise can sustain itself in business operations and provide the club to put itself out of business? It is simply a question of making bricks without straw to the individual.

The Chairman.— The committee will now adjourn until to-morrow.

(The committee thereupon, at 12 o'clock m., adjourned until to-morrow, April 10, 1920, at 10 o'clock a. m.)

NEW YORK STATE BARGE CANAL.

SATURDAY, APRIL 10, 1920.

UNITED STATES SENATE,

COMMITTEE ON INTERSTATE COMMERCE.

The committee met at 10 o'clock a. m., pursuant to adjournment, at the room of the committee, Capitol Building, Senator Albert B. Cummings (chairman) presiding.

The Chairman.—I will say that Senator Wadsworth expected to be here this morning, but he is engaged before the Committee on Agriculture on a very important bill and his presence there is absolutely necessary. Of course, we can get along without him here, and I make this statement so that it will be understood why he is not here.

I am sorry that the other members of the committee are a little tardy this morning, but I am sure that they will read the testimony when it has been taken down, and will give consideration to it as though they had been present.

Is there anyone here who desires to be heard further on behalf of the resolution?

We will hear Mr. Elihu Church, representing the Chamber of Commerce of the State of New York, with headquarters in New York City.

STATEMENT OF MR. ELIHU CHURCH, CHAMBER OF COMMERCE
OF NEW YORK.

Mr. Church.—Mr. Chairman, this matter came up before the chamber at its last monthly meeting, and they unanimously passed a resolution in which they very much condemned the operation of the Government barges on the Erie Canal. They feel particularly strongly in this matter because the Erie Canal is a New York enterprise, constructed with New York money, and has never received as much as a dollar by way of Federal rivers and harbors

appropriation. In that way it is very different from any navigation which goes on the Mississippi River, or waterways of that sort. With your permission, I am going to file a copy of the resolution and report which was adopted by the chamber.

The Chairman.— That will be incorporated in the record.

(The report and resolution referred to are here printed in full, as follows:)

CHAMBER OF COMMERCE OF THE STATE OF NEW YORK.

At the regular monthly meeting of the Chamber of Commerce of the State of New York, held April 1, 1920, the following report and resolutions, submitted by the committee on internal trade and improvements, were adopted: **WITHDRAWAL OF FEDERAL GOVERNMENT FROM BARGE CANAL AFFAIRS FAVORED.**
To the Chamber of Commerce:

Your committee on internal trade and improvements last year brought in a report which was adopted by the chamber and which opposed placing the New York Barge Canal under the authority of the Interstate Commerce Commission, and by implication objected to Government interference with our State canal system.

Your committee now finds that the act of Congress of March 1, which restored the railways to their private owners, did not restore the New York canals to a similar position. On the contrary, the act authorizes and directs the Secretary of War to continue the Government's waterway activities. The result is that the United States Government is expected to continue the operation of barges on the New York canals in direct competition with private undertakings. The attitude of the United States Government is that the corpus of the canal has never been taken under the control of the United States, therefore, there has been nothing to return by legislation or otherwise. However, the operation of Government lines on the canal, in the opinion of your committee, is a serious interference with private enterprise.

Private citizens are not inclined to establish barge lines in competition with the Government. As the State of New York has but limited authority over Federal affairs, there is no guaranty that private operators will be able to compete on an equal and fair basis.

Our State canal system is in a different position from other inland waterways, for it has been constructed at the sole expense of the State of New York at a cost now amounting to over \$156,000,000. It is a State enterprise pure and simple and has not received Federal aid.

The Government during the war took over on a charter basis certain vessels which were then being operated on the canal. The Government operated these vessels and added thereto additional tonnage costing about \$5,000,000 which was constructed or bought by the Government. The chartered tonnage has been returned to the private owners, and the Government proposes to continue operation of its own tonnage as a business enterprise.

This chamber has voted against Government ownership as a general proposition, and this committee is opposed to the United States Government engaging in the transportation business on the barge canal, not alone upon the

grounds which make Government ownership or operation undesirable, but also because the successful development of commerce and of private carriers on our canal system demands a water route free from Government interference.

The State Canal Board recently adopted resolutions protesting against and urging a discontinuance of Government canal operation. The board, furthermore, took the position that the Government, in recompense to the State for its use of the canals during the war, should turn over to the State all equipment purchased or constructed by the Government for service on the canal, this equipment, when acquired, to be sold or chartered to private interests for operation.

. A resolution has been introduced in the United States Senate which is amendatory to the railroad bill, stipulating that the provisions of the railroad bill applicable to inland waterways shall not apply to the canals of New York. It is the understanding that hearings are soon to be held on this measure.

The following resolutions are, therefore, offered:

Resolved, That the Chamber of Commerce of the State of New York opposes the operation by the United States Government of barge lines on the canals of the State of New York, and favors legislation, if necessary, to prevent such operation; and be it further

Resolved, That the committee on internal trade and improvements be authorized to send delegates to hearings upon any legislation proposed to accomplish this end.

Respectfully submitted, Delos W. Cooke, chairman; Jeremiah W. Jenks; Elihu C. Church; Francis H. Sisson; William McCarroll; Burns D. Caldwell; Union N. Bethel, committee on internal trade and improvements.

Attest: Charles T. Gwynne, secretary; Alfred E. Marling, president.

NEW YORK, April 2, 1920.

Mr. Church.— In the resolution they directed a member of the committee on internal affairs and improvements to appear here and represent them.

The chamber objects very much to Government interference with our State canal system, because it is in direct competition with private undertakings. The operation of the Government line on the canal is a serious interference with private enterprise, for private citizens are not inclined to establish barge lines in competition with the Government. There can be no true competition in a commercial sense between a private enterprise and a Government one. Government operation is subsidized operation, because any operating deficit is made up by taxes, paid in part by the very men who are trying to make an honest living competing with the Government. In other words, we feel that any private enterprise that might otherwise be attracted to the operation of barges upon

the canal will feel that in view of the fact that the Government is also operating barges from a commercial point of view, it would be an absolutely hopeless undertaking, and therefore they would be loath to do it; and, of course, it is the duty of the chamber of commerce to stimulate as much honest rivalry among commercial organizations as possible so that a barge line may be established and operated on the canal, and we feel very strongly that the Government operation of barges by the War Department would absolutely prevent the commercial operation.

Therefore, I have the honor to appear before you, sir, and to thank you very much for the opportunity of being heard.

STATEMENT OF FRED B. DE BERARD, REPRESENTING THE
MERCHANTS' ASSOCIATION OF NEW YORK.

Mr. De Berard.—Mr. Chairman, the Merchants' Association of New York objects to the operations by the United States Government upon the barge canal substantially upon the same grounds as those stated by Mr. Church. But I wish to point out one factor in the problem which does not seem yet to have been touched upon.

The competition by the Government in a business undertaking is deadly to the investment of private capital therein; not, perhaps, immediately by the lower rate which the Government may make, but by reason of the uncertainty of what the Government's policy in regard to rates may subsequently be. The temptation in the operation of a Government enterprise to omit factors of cost in order to show an apparently sound basis of operation is very great, and it almost always is yielded to.

The true cost of any business operation is very seldom shown in Government reports. The Government does not make any record of overhead costs or capital costs. It merely shows outlays immediately incurred. In consequence, the tendency, where questions of rates are involved, is to make a rate that will cover only the actual outlays and not the deferred and contingent outlays. In consequence, a Government almost invariably yields to a popular demand for a lower scale of rates, and hides certain elements of cost in it, and the enterprise, therefore, is not carried on on a true economic basis. The contrary is true of the investment of private capital. All of the elements of cost are constantly operative, and

the condition of continuance of operation by private capital is that all of these elements of cost shall be reflected in the charges that are made to the public. So on the one hand we have a condition where the tendency and the temptation is to make rates based upon a false record of true costs, while on the other hand, in the case of private capital the rates must be based upon true economic conditions. Taking in consideration the tendency toward lower rates on the part of the Government, based upon inaccurate records, a certain dread is placed upon private capital that drives it away from investment in any enterprise where it is subject to the risk of destructive competition on the part of the Government.

In the case of the barge canal that condition is peculiarly present. That canal was constructed for the express purpose of supplying a cheaper and better means of transit, particularly for grain and ore from the Great Lakes to tidewater. Its plan involved the additional construction of a very considerable fleet of barges, adapted for the most economical transporting of traffic over that canal. The old type of canal boats, previously existing, are not adapted to the carriage of large cargoes in bulk, nor to the most economical movement of freight. It becomes necessary, therefore, in order to effect the purpose for which the barge canal was constructed, that a very large investment of capital shall be made for private barges adapted to the most economical movement of freight.

There were movements about the time of the beginning of the war looking toward the investment of large amounts of private capital in suitable barges for the most economical use of the canal. The advent of the Government interfered with that, deterring the incorporation of firms, or the incorporation of companies in the construction of a suitable line of barges.

The Federal Government, practically at the suggestion, and possibly at the request of the State of New York with the approval and on the urging of the principal commercial bodies in the State, undertook to provide a fleet of barges which would be suitable for economical traffic movement over the barge canal, primarily in order that the extreme condition of railroad congestion existing during the latter part of the war might be relieved.

It was for that reason, and as a war measure, the purpose of relieving and thereby making more effective the railroad system, that the Government provided a suitable number of barges to operate upon the barge canal. But the effect of the Government's entry upon it was to stop the efforts which were then in progress toward the construction of barges by private capital.

There has been no substantial progress looking toward investment of private capital, nor toward providing the very much larger number of barges that are required for the effective operation of the canal since the advent of the Government into the proposition of operating upon the canal.

The tendency that I alluded to in the opening part of my remarks will continue so long as the Government is a factor in the case. The proposition embodied in the existing law is that the Government shall continue those conditions, the effect of which will be oppressive to the people and business interests of the State of New York, and to a large degree destructive of the purposes for which the barge canal was constructed.

We protest against the condition which puts the United States Government into competition with private enterprise and excludes private enterprise from an undertaking whose full consummation is absolutely essential to the protection of this enormous investment on the part of the State of New York, and the prosperity of the people of the State of New York.

We feel, therefore, that the present law should be modified in accordance with the terms of the Wadsworth resolution; that the Federal Government should not continue to operate barges on the barge canal, but that it should dispose of its property in such a way as would cause it to pass into private hands and be operated privately under conditions of ordinary commercial competition. That will permit private capital to be invested, not only to the extent of the existing equipment but will open the way to the much larger investment that is necessary, and that will assure, through the force of private competition, the lowest cost of transportation upon the canal.

The Chairman.—I would like to ask you two or three questions, if I may?

Mr. De Berard.—Certainly.

The Chairman.—As I understand you, the barges, or former facilities, transporting freight over the canal are not well fitted for the present needs — the old type of barges?

Mr. De Berard.—That is true.

The Chairman.—And they must give way to some new form. Do you know whether any such barges are now in the way of construction or preparation?

Mr. De Berard.—I am not positively informed of that fact, but the statement has been made to the Merchants' Association, in connection with the submission by various proposed companies of plans, that no new construction has been actually undertaken by private enterprise.

The Chairman.—The point of my question is this: If we should determine that the barges now owned by the Government, and other facilities should no longer be operated by the Government, would transportation cease on the canal?

Mr. De Berard.—That would depend upon what disposition the Government should make of its equipment.

The Chairman.—Well, I am assuming that Government activity shall cease. What, then, would be the condition of the canal? Would there be any facilities there for operation for the transportation of freight?

Mr. De Berard.—There would be the old existing equipment, which is not the most desirable type of equipment for the purpose.

The Chairman.—But it could be used?

Mr. De Berard.—It could be used.

The Chairman.—And how long would it take, in your judgment — of course, I recognize that it is a mere prediction — how long would it take for private enterprise to supply itself with the facilities necessary for the maximum use of the canal?

Mr. De Berard.—I am not qualified to answer that question further than to give the general impressions which I have derived from my relations to it. It would not be practicable for new

equipment to be constructed for use during the present season of navigation. It would be necessary for the companies which might desire to undertake operation to be organized and to proceed with equipment, which would require some time.

The Chairman.—If Congress shall determine that the canal may no longer be used by the Government for the general transportation of freight, it is quite obvious that the facilities that the Government has there now should in some way or other be continued in use. That is true, is it not?

Mr. De Berard.—That is true.

The Chairman.—Now, that being true, what disposition do you think the Government ought to make of these barges and tugs, etc., in the event Congress should determine that the Government is no longer to operate them?

Mr. De Berard.—The policy which the Government should follow, as has already been defined in the case of United States Shipping Board, is the disposition of the Government's equipment upon the barge canal on terms which would induce its purchase by private owners or upon lease on such terms as would likewise induce the continued operation.

The Chairman.—In your judgment, could the United States now sell its barges and other facilities at a fair price to private owners?

Mr. De Berard.—I have little doubt that that result would follow.

The Chairman.—Would it be easier to dispose of it in that way than by charter or lease?

Mr. De Berard.—By charter or lease probably would be the most speedy way to insure their immediate continuance.

The Chairman.—You feel reasonably well satisfied that if Congress should terminate Government operation, that private enterprises would come in, acquire the right to operate these barges either under lease or under sale and go on with the work?

Mr. De Berard.—I have no doubt that result would follow, particularly if the Government were to adopt a policy sufficiently agreeable as to price and terms of lease to assure a remunerative return to private capital.

The Chairman.—Are you personally familiar with the character of the barges and tugs that have been provided by the Government?

Mr. De Berard.—Only in a general way, and on that point I shall ask Capt. Brooks Fry, a member of our committee, who has been prominently identified as an expert, to give you his opinion.

The Chairman.—You are not a lawyer, are you?

Mr. De Berard.—No, sir; I am not a lawyer.

The Chairman.—I want to ask somebody connected with the case in New York, before this hearing is over, this question: The canal is open to the public for the use of anybody who is willing to operate a boat or barge under regulations and restrictions provided by law; anybody has the right to do so?

Mr. De Berard.—That is true.

The Chairman.—Does that right extend to the Government of the United States as well as to the citizens of the country? I shall ask somebody to give me an opinion on that point before we finish the hearing.

Mr. De Berard.—I cannot answer it as a question of law.

Mr. Walsh.—May I answer that question?

The Chairman.—Yes. I shall not detain Mr. De Berard any longer.

Mr. Walsh.—I do not know of anything in the canal regulations of the State of New York that prohibits the Federal Government from operating a canal line. But it was never contemplated that the Federal Government would enter the competitive transportation field in the State of New York. Of that I am quite sure. Of course, if the Federal Government becomes a

common carrier upon New York State waters, if it constitutionally can do so, I do not know anything that would prohibit them.

The Chairman.—Is there anything in your law that undertakes to prescribe that the State of New York is not to become a common carrier in competition with its citizens?

Mr. Walsh.—Our constitution, I believe, prevents the State from becoming a common carrier on the waters of the State.

The Chairman.—Is that provision limited to the use of the canal, or does it extend to all of the common-carrier facilities?

Mr. Walsh.—I am not sure, but I think it extends to all common-carrier facilities. However, I am not positive of that. But I know that the intent and purpose of the people of the State, when they first started the canal, was not to compete. It was a free highway of water just the same as streets. It was a water highway absolutely free for the transportation of material by water, such as you would use trucks through the city. There were certain rules and regulations that were adopted by the succeeding Canal Board that governed the use of the waterway, but no tolls are charged, and it is absolutely free to the people. Any individual has the right to operate one boat competitively with another. Up to a few years ago there was a statute in the State prohibiting the capitalization of an organization to exceed \$50,000, but when the intent of the people to improve their waterways was made apparent by the appropriation of \$101,000,000 for the improvement, then that statute was removed.

The Chairman.—The point in my mind—and I am not expressing any opinion about it at all, is this: Do the people of New York doubt the right of the Government of the United States to put barges upon the canal?

Mr. Walsh.—Yes, sir; they do.

The Chairman.—Without any compensation at all?

Mr. Walsh.—Yes, sir; they do.

The Chairman.—It is simply as they could put a motor truck on the highway.

Mr. Walsh.—It is the question of the moral right of the United States Government to interfere with the operation of their canal system and to practically nullify all the efforts that they have spent on it.

The Chairman.—But this canal is not purely a State institution.

Mr. Walsh.—Yes, sir; it is.

The Chairman.—It is a highway, is it not?

Mr. Walsh.—Yes, sir.

The Chairman.—And is engaged in interstate commerce?

Mr. Walsh.—Interstate commerce passes through the canal; yes, sir.

The Chairman.—What proportion of traffic that formerly went over the canal or through the canal is interstate traffic, as distinguished purely from State traffic?

Mr. Walsh.—A very large percentage, particularly on east-bound business.

The Chairman.—A very large per cent. of it is interstate traffic?

Mr. Walsh.—Yes, sir; grain. It is not entirely, but a great proportion is the eastbound grain. The canal was built to carry grain.

The Chairman.—Now, I suppose the people of New York, in doing this work, providing this highway, had not in contemplation the contingency that the Government of the United States might itself engage in interstate traffic or carrying interstate traffic as a carrier?

Mr. Walsh.—No, sir; if it had it would not have spent all the hundreds of millions of dollars that it has spent on it.

The Chairman.—Will you submit an opinion with regard to the best way — if we should come to the conclusion that Government operation ought to cease — to dispose of the facilities that the Government has now on hand or has accumulated?

Mr. Walsh.—My opinion was expressed yesterday in answer to a question by Congressman Dempsey. Congressman Dempsey asked me if I thought the Government should turn over to the State of New York the boats that the Government had used during the war period. My answer was yes, because I think in justice and fairness to the State it is the least that the Government could do. The Federal operation of our canal has put us back three or four years in our development. It has jeopardized the chance to get people to invest enough money to complete our wonderful canal system.

I think the State of New York has suffered irreparable damage by the Government operating on our canal system. That is the least it can do, in my opinion, and in the opinion of the Canal Board that passed this resolution, and in the opinion of the Assembly that passed the concurrent resolution. We do not want the boats, we do not want to take them off the canal, but we do not want them in the hands of carriers who have been always antagonistic to our canal system.

The Chairman.—Do you believe if the boats were to be sold that purchasers could be found, or lessees could be found, on reasonable terms?

Mr. Walsh.—Yes, sir; I do. May I answer the question that you asked just as I was coming into the room? You asked if private enterprise was in position to build boats, or had they built any boats prior to the time the Government took over the operation — if I have your question right. I can answer that in this way, that up to the time that Mr. McAdoo announced his intention of taking over the canal system of the State of New York for operation, many companies were in process of formation. We had just arrived at the point where we could physically call our canal completed. It was the time the State of New York had been anxiously awaiting for ten years, and that time had just about arrived — we had been interfered with because the cost of material and labor had risen on account of the European War — at that time we were not at war — but just about the time these companies were getting together (and Mr. Alexander Smith, the

editor of the *Marine News*, can better inform you on this), just about that time, a large and comprehensive program had been entered upon by large financially responsible men of the city of New York to build big boats and enter upon a big scheme of progress to supply the canal with proper carriers, and just at the time the secretary announced that he had taken over the canal system — just at that moment these companies vanished. There was not a single man connected with them who would take one penny's chance in competition on the canal system. They told me that in their own offices, and over their own directors' tables.

The Chairman.— You are familiar with the equipment that there is there now, are you not?

Mr. Walsh.— Yes, sir.

The Chairman.— The barges that the Government has acquired and other facilities?

Mr. Walsh.— Yes, sir.

The Chairman.— I gather that it is your opinion that those barges, and the present equipment, would not be sufficient to operate the canal to anything like its maximum capacity?

Mr. Walsh.— Oh, no; but I do venture the opinion, based on my knowledge of the situation, that immediately Government operation is removed the boats will begin to be built by the thousands. They are waiting for it.

The Chairman.— What I want to know is this. Let us take it for granted, for the purposes of this question, that private enterprise will not enter into competition with the Government, and that if the Government continues to operate the facilities it now has upon the canal, one of two things must follow — either the canal will be operated at much less than its maximum capacity, or the Government will have to supply additional barges and tugs and other things of that kind.

Mr. Walsh.— Yes, sir.

The Chairman.— You are of the opinion that one or the other must follow?

Mr. Walsh.— One or the other must follow; yes, sir.

The Chairman.— Can you give me any idea with regard to the additions that would be necessary in the natural development of business to carry all the traffic which the canal ought to carry in the natural course of affairs?

Mr. Walsh.— Of course, that depends upon the disposition of the Government to increase the traffic. It would either carry nothing, and be an absolute rank failure, or if the Government really and truly wanted to make it a transporting enterprise, they could increase it twenty-fold.

The Chairman.— As it is now, the Secretary of War would have little to do with fixing the rates; probably nothing. The Interstate Commerce Commission would fix the rate — the maximum rate for interstate carriage?

Mr. Walsh.— Yes, sir.

The Chairman.— Not for intrastate carriage?

Mr. Walsh.— No, sir.

The Chairman.— I am assuming that the Interstate Commerce Commission would fix those rates fairly and equitably.

Mr. Walsh.— Of course, Senator, it brings us to this question: If the Government retains control and operation, thereby crowding out enterprise, and destroying all the aims that are involved in the whole construction of the canal system, the people will not finish the canal system. That you can rest assured of.

The Chairman.— That may be the result, but the situation is a little different now in this, that is as compared with the time when the Government was operating the railroads; one can see that the Government operating both the canal and the railroads would try to do it so that the railroads would not lose any more money than was necessary. But that motive has gone.

Mr. Walsh.— That should not have been inflicted upon the State. We resent that. That was an injury that was unjustified. Why should we be punished?

The Chairman.— You should not. That is one of the iniquities of the war.

Mr. Walsh.— That is one of the reasons why we suggest that the sooner the Government releases control the better off we will all be. That is the reason why we suggest that the boats should be considered as part compensation for the injury sustained.

The Chairman.— Your people said here yesterday that the policy of Congress apparently is — certainly it is my policy — that the Government should go out of the transportation business just as soon as possible. [Applause.] It has already gone out of the railroad business. We found it necessary to hang on temporarily to some water transportation simply because there was no way in which to continue it save in allowing the Government to continue it, and my chief concern here is how long, if at all, the Government should hang on to the New York Barge Canal.

Mr. Walsh.— May I suggest that they have stayed long enough — too long. The whole purpose that the State is wrapped up in at the present time is going to be destroyed by the further operation of Federal boats on our canal system under Federal control. It means a great deal to our people, as you know.

The Chairman.— I explained yesterday how this provision of the bill came to be inserted. It came in principally, and I suppose wholly, to take care of transportation on the lower Mississippi River and upon the Warrior River, where the Government had put on boats, and was building boats, and we were informed that if the Government suspended its activity in that region the whole thing would fail; we would not have any transportation at all upon either of those rivers, of the kind that is contemplated under this bill, and I do not want the same thing to happen in respect to the New York canal. It ought to be used.

Mr. Walsh.— The Warrior River and the Mississippi River are Federal waterways and under the jurisdiction absolutely of the Federal Government. Our waterways are not. They run from one point in our State to another point in our State. We have connections in interstate commerce with the Great Lakes for the seaboard.

The Chairman.— They are alike in this, that they both carry interstate traffic.

Mr. Walsh.— But the Government did spend a great deal of money on the improvement of the Mississippi River and the Warrior River, when they never spent a cent on our water system.

The Chairman.— I perceive the difference.

Mr. Walsh.— Mr. Chairman, may I ask a question of a gentleman present, who will probably enlighten you with regard to a certain situation. Mr. Holden, you are the president of the Lake Champlain Transportation Co., are you not?

Mr. Holden.— Yes, sir.

Mr. Walsh.— And you operate through the Champlain system and our canal system and thence into Canada. It has been rumored — I do not know if it is true — that if the Federal Government continues the operation of our canal system they will compete with the interests on the northern division as well as the western division. What effect will that have on your company if they do it?

Mr. Holden.— It will have this effect, our directors have felt this spring that if the Government is going to continue the operation of the canal that we will liquidate and go out of business as quickly as we can, because we can not compete with Government operation.

Mr. Walsh.— That is typical of the whole situation in the State of New York. Mr. Chairman, I would like you to hear Mr. Williamson.

The Chairman.— The committee will be glad to hear Mr. Williamson.

STATEMENT OF FRANK E. WILLIAMSON, REPRESENTING THE
BUFFALO (N. Y.) CHAMBER OF COMMERCE

Mr. Williamson.— Mr. Chairman, you referred to the traffic on the canal as largely interstate traffic. While in a sense it is true that it is interstate traffic, yet there are no through rates established in connection with such traffic; consequently any

business that may come from the upper Lakes or from the West into Buffalo for transportation over the canal to New York is strictly intrastate traffic. The Interstate Commerce Commission, under the present act, would have no control whatsoever over those rates. Those rates could be fixed by the War Department, just the same as the Railroad Administration had attempted to fix them.

The Chairman.—You are partly right and partly wrong. The Interstate Commerce Commission has the authority to establish a through route and a through rate over the railroads to Buffalo, if you please, over the canal to New York.

Mr. Williamson.—That is true.

The Chairman.—And it has the authority to establish a maximum through rate, but it has no authority to establish a minimum rate over the canal.

Mr. Williamson.—But I say, as to the actual movement of the traffic in connection with the canal, it ceases to be an interstate movement upon its arrival at Buffalo. I grant the Interstate Commerce Commission has the right to fix through rates, yet the rates are not fixed in that way in connection with the canal, nor have they ever been fixed in that way.

Mr. Chairman.—I understand the commission could do it if it wanted to.

Mr. Williamson.—It could do it, but I do not think it would be justified in doing it, because there is not that class of traffic that moves over the canal that would apply to that situation. As far as general merchandising is concerned, that is true, but part of the business is the grain that comes down from the head of the Lakes into Buffalo.

Now, the traffic ceases to be an interstate shipment, and is taken up by a local bill of lading, over which the public service commission of the State would have control over the rate and that of the Interstate Commerce Commission would cease.

The Chairman.—You mean grain coming by water to Buffalo and then from Buffalo to New York?

Mr. Williamson.—Yes, sir. And under the interstate commerce act, Mr. Chairman, you will appreciate the fact that there is a certain provision there which would not permit of the Interstate Commerce Commission short hauling on the rail line business that would come over the New York Central to Buffalo. It could not establish a through rate in connection with the New York Central through to New York in connection with the canal because it would short haul the New York Central. That is one of the provisions of the act.

The Chairman.—I am not sure about that. Mr. Walsh, who is the next speaker?

Mr. Walsh.—Mr. MacGregor.

STATEMENT OF HON. CLARENCE MACGREGOR, A REPRESENTATIVE IN CONGRESS FROM THE FORTY-FIRST DISTRICT OF NEW YORK, REPRESENTING A PORTION OF THE CITY OF BUFFALO.

Mr. MacGregor.—Mr. Chairman, it would be presumptuous on my part, in view of all the expert witnesses you have had before you, to try to enter into any discussion of this subject. I am keenly interested in the development of the barge canal and feel that Government control or Government operation that will come in competition with private operation is something that would be extremely detrimental to the hoped-for development of commerce upon the barge canal, and I therefore wish to urge upon the committee a favorable report upon the resolution that is before you.

Mr. Walsh.—May I ask Capt. Fry a question?

The Chairman.—We will be glad to hear anybody; but I think it would be advisable for you to reserve some of your witnesses until after you hear from the War Department, and then you might want to reply to some things that are said. If it is just as convenient to you, I will hear from the War Department now and then allow anyone who cares to do so to make a reply.

Mr. Walsh.—Very well, Mr. Chairman.

STATEMENT OF MR. H. S. NOBLE, FEDERAL MANAGER, NEW
YORK CANAL SECTION, TRANSPORTATION SERVICE,
WAR DEPARTMENT.

Mr. Noble.—Mr. Chairman, as Federal manager of the New York canal section, I have been asked to speak for and to represent the Secretary of War, and as a preliminary, I want to say that the Federal operation on the canal was undertaken after conference with the State officials and with the superintendent of the department of public works, who at that time was Gen. Wotherspoon, and it was Gen. Wotherspoon's opinion, then expressed in writing, that the only way for the Government to enter into its operation, or to insure a proper operation of the canal, was for the Government to construct the necessary equipment.

This was considered, and before any actual outlay was made by the Federal Government, a conference was held in Albany at which the State officials were asked whether there was any question as to the authority of the Government, or of the right of the Government to operate on the canal, and whether the canal itself would be operated and maintained both as to the bed of the canal and the locks, by the State, all of which was answered in the affirmative, and the Federal Government was given the assurance that there was nothing to prevent its operating there, and that the canal itself would be maintained by the State. It was then that they formed the inland waterways of the Railroad Administration and Mr. G. A. Tomlinson was appointed by the director general as general manager, at that time, of the New York canal section, and he started in early in the spring of 1918 chartering the old-time barges and tugs, and operating them.

The average number of barges that were chartered during that season was 164. The minimum in any one month was 118, and the maximum was 188, with an average number of 13 tugs, the tugs only operating in the canal. The operation in the Hudson River was done by contract with the Cornell Steamship Co. going from New York up to Waterford. So the operation started with the Government tugs at Waterford and continuing through from there to Buffalo.

The operation, Mr. Chairman, between New York and Buffalo, is, for approximately one-third of the distance, through Federal waters — that is, the Hudson River and the water front in the Niagara River from Tonawanda to Buffalo. So it was only two-thirds of the distance through the canals of the State.

The Chairman.—Are all the barges on the canal operated by steam tugs?

Mr. Noble.—No, sir.

The Chairman.—Some are operated partly by horse power?

Mr. Noble.—No, sir; there is no towpath. Therefore the barges must be operated over any part of the canal — that is, on the direct canal — by steam motor-driven barges of some kind, and that is one of the reasons why the independent boat owners have not done very much operating. The tug proposition is very expensive for them. In 1918 the Federal line handled 194,372 tons.

Mr. William F. McConnell (New York Board of Trade and Transportation).—Will the gentleman submit to an interruption?

Mr. Noble.—Yes, sir.

Mr. McConnell.—Is it not a fact that the State of New York appropriates several thousand dollars a year to afford tug facilities for the independent boat owners on the canal?

Mr. Noble.—I intended to touch upon that.

Mr. McConnell.—I do not want the committee to be misled by that statement as to the individual boat owners.

Mr. Noble.—The statement was made yesterday that the equipment which was chartered by the canal section lay idle a very large part of the time in 1918. It was idle for part of the time, but there were two causes that led to that. In the first place, lack of business; the business actually was not there. That is borne out by the statistics of the railroads and the statistics of the water line. There was no grain to move after the canal was opened in the spring until the latter part of September. The grain did not

exist. That does not mean literally that no grain existed, but I mean no grain in any quantity.

The railroads carried possibly half a million bushels in small lots. Therefore the eastbound loads in large quantities were not there. The westbound business was depleted on account of war conditions. Everything was for export. The large factories in the East were all running on orders for the other side, so the movement west was reduced to a minimum. That was on account of the barges having to lay around and take loads, and even then it was not as serious as it was in May.

The average time of waiting for a load was 9 days; in June, 7 days; in July, 8½ days; in August, 3 days; in September, 1 day; in October, 1 day; and none at all in November. In addition to that, however, there were delays in unloading cargo in New York, because there were no adequate facilities there. That does not apply to merchandise or package freight, but grain. There were no elevator facilities. The barges had to hold their grain until the ships were there to take it, and at that time the ships were irregular and the barges frequently laid in the harbor for 30 or 60 days waiting for a load.

Reference was made yesterday to the round trip of the fleet, taking 129 days. That is true. It was what we called a fleet, a steamer, push boat, and two consorts. It was 129 days making the round trip, because when that fleet arrived at Buffalo the steamer's engines and boilers had given out and needed renewing, and under war conditions it was nearly impossible to get material, and instead of being able to repair that steamer in two or three weeks as would ordinarily be the case, it took about 90 days to get it in shape to run. That was one of the vicissitudes of navigation chargeable exclusively to war conditions.

Mr. Walsh.— May I correct you? I did not refer to the steamer fleet at all. I referred to the boats *James Brown* and *Hon. Russell Johnson*. I did not say 129 days. I said 123 days, I think. I have the proof of that.

The Chairman.— I think that is rather immaterial, anyhow. You can not determine a policy by reference to an incident of that kind.

Mr. Noble.—Early in the season of 1918 contracts were let for 21 concrete barges of modern dimensions—150 feet in length over all, and 21 feet beam outside of the guards, and 11 feet depth.

The Chairman.—When was that done?

Mr. Noble.—Early in the season of 1918. At the same time a contract was made for 51 steel barges of practically the same dimensions, and those barges were supposed to have been completed in time for operation late that season, but on account of war conditions and the impossibility to get materials promptly they were not completed, and none of them were delivered in time for use that year. So the entire season of 1918 we operated with the old-time barges. But, as I stated, the maximum number that we chartered was 198, so it left, assuming there were over 700 barges on the canal, a good many more barges in the hands of private owners than the canal section was operating, and at no time during that period or since did the canal system have any jurisdiction over the rates of others. The canal section did start out with its rate the same as all rail, but the difference came when the rail rates were advanced and the canal rates were not, giving the latter approximately a 20 per cent. differential. But at no time did that prevent the individual operator or owner from making any rate he saw fit for cargo carriage on the canal. So the canal section had no control actually over their rates.

In 1918 the canal section did carry a considerable amount of traffic that was controlled by governmental agencies. It carried grain for the United States Grain Corporation. It carried flour for the Food Administration, so that part of that traffic came from traffic controlled by the Government.

In 1919 it did not carry one pound of traffic controlled by any governmental agency. The operation with tugs during the season of 1918 demonstrated clearly that it was not an economical operation. Therefore, in February, 1919, contracts were let for 220 self-propelled barges, those barges being constructed with the idea of carrying between three and four hundred tons of cargo themselves and with sufficient power to tow three of the cargo barges; so

that with respect to the towing of other barges they were still earning revenue to offset their own operating expenses. Those self-propelled barges were supposed to have been delivered by the fall of 1919, but again, on account of the difficulties in getting the material, they were not delivered, although at present one has actually been delivered and five are now awaiting for their acceptance trial trips and will be delivered probably within the next week, and by the 1st of May there will probably have been 10 delivered. The other 10 will be delivered prior to the 1st of July. So that by the 1st of July the canal section will be operating its entire new marine equipment, and will then be in position to demonstrate exactly what can be done with the equipment.

In 1919, although the canal section was operating, there was also another line operating—the Shippers' Navigation Co.—that operated, I should say offhand, between 40 and 50 barges and 9 or 10 steamers, and apparently were not interfered with in any way by the canal section. It made such rates as it saw fit on the strictly canal traffic. Of course, where it had generally through rates, which were partly by water and partly by rail, its tariffs were filed with the commission and it maintained its rates, exactly as any other common carrier. On the strictly water-borne traffic between New York and Buffalo it did not maintain the same basis of rates that the canal section maintained, and although that line was operating, and the canal section was operating, there was more traffic offered than we could carry. We had to refuse approximately 60,000 tons in the last half of the season because we had insufficient barge capacity to move it. So there was ample capacity there for the independents to that extent. How much other there was, of course we do not know.

The equipment which has been acquired and is now under construction and will be delivered will cost approximately \$4,500,000.

It has been suggested that this be turned over to the State of New York as partial compensation for the operation of the Government on the canal, but, as has been brought out, the constitution of the State of New York makes the canal free and, of course, the question would properly arise, the equipment having been purchased with moneys derived from the people of the whole United

States, whether it would be a fair proposition to the rest of the country to turn the equipment over to one individual State, particularly in view of the fact that fully 95 per cent of the traffic carried by the canal section is interstate traffic. Very, very little of it is intrastate.

The Secretary of War called your attention in his letter to the fact that this was in the nature of an experiment and with the idea of improving the commercial condition, but the experiment has not been completed. It has really only started. Now, if this equipment were turned over to the State of New York, the financial backing would be virtually the same as now, and therefore the fear of the private investor concerning the financial backing of the activities would be the same. But assume that it is turned over to some corporation, in order to properly operate it the corporation must have a large financial backing, because it is an expensive fleet to operate. It requires considerable ready money to keep it going. That, again, would interfere with the small investor. He would still have the big powerful corporation, backed with modern boats, to contend with, and unless he could build boats of the same equivalent carriage and of the same capacity of his steamers he would be operating at a disadvantage, because his cost per ton would be much larger than the greater units. So the small investor would have no more chance than he has now, providing the rate got to the level where he could not make money, because the large lines and the large carriers can make a profit at a point where the small one can not, and therefore the latter would not be very much better off.

We have been advised this year that there is one new line which is the outgrowth of the Shippers' Navigation Co., and which is going to operate under a new organization with a larger fleet, and that it has already let the contract for the building of one steamer. The company is apparently going to operate as the Inland Marine Corporation. So the operation of the canal section has not deterred private operation.

We were also informed — although from what Mr. Holden said just now I may be wrong — that the Champlain Co. were going to put about 50 of their barges on the route between Buffalo and New York. However, Mr. Holden has just made the statement

that if we continued operations he would quit, although I do not understand wherein our operation interferes with the Champlain operation. The Champlain Co.'s barges never run up there, and it has no equipment to do it.

The tariffs of the canal section are all filed with the Interstate Commerce Commission promptly, whether they are port-to-port rates or through rates. Under section 201, as I understand it, we must place ourselves under the jurisdiction of the Interstate Commerce Commission. Therefore, under the rules of the Interstate Commerce Commission, we can not file a tariff without getting their authority under section 15; so that the Interstate Commerce Commission actually does have jurisdiction over the rate we publish; and if we undertook to file rates that were so low that they would put competition out of the field, and so low that we could not make anything like our operating expenses, there is no question but what the commission would forbid their going into effect. As I understand our position now, after we file the tariff we must absolutely maintain the rate, even though we are carrying grain from Buffalo to New York which does not move on a through rate but moves on what we call an "at and east" rate, or the rate which applies on grain when received at Buffalo from the West.

Having placed ourselves under the jurisdiction of the commission by filing our tariffs, we can not deviate from those rates. It would be a discrimination. So that the private interests have nothing to fear on that score. We are controlled, and possibly controlled more than a private corporation would be.

Should the fleet now owned by the Federal Government and operated by the canal section be prevented from operating on the canal this year, it would mean a decrease in the carrying capacity of approximately 40,000 tons per trip. Now, assume that we only make 10 trips. That would mean 400,000 tons of eastbound traffic, and the westbound capacity would be a trifle less than that because the character of the freight is a little different, but it would mean probably 30,000 tons per trip, or 300,000 tons additional. There are 700,000 tons capacity that would be removed from that canal if we were not allowed to operate. That would work a considerable hardship on the grain interest.

The Chairman.— Do I understand that if these same facilities that you are now using and are about to acquire are used on the canal the capacity would be the same?

Mr. Noble.— Exactly. I said if they were prevented from being operated on the canal.

The Chairman.— Oh, yes.

Mr. Noble.— Then there would be that loss to the canal. If they were operated by other people the same capacity would be there exactly. My advices are that there are about 15,000,000 bushels of grain in Buffalo Harbor now that is to come down this spring. A large share of it is for export. That 15,000,000 bushels of grain can not be anywhere nearly moved by the present equipment on the canal if they used every barge they have, including all of ours and everybody's else. So the necessity is shown right there for a full equipment to be operated by some one.

Now, as to the arrangements that the canal section has made with the railroads, we have perfected arrangements with the New England railroads on the westbound traffic out of New England, interchanging it with them on through rate arrangements with the Boston & Maine at Troy, with the Boston & Albany at Hudson, and with the New Haven and Central New England at Beacon. It is the first time to my knowledge that there have been through rail-and-canal rates from New England territory to the west in connection with the lines running west from Buffalo. The proposition to go into that was presented to the other lines operating last year, and they declined to have anything to do with it. They did not care to have that business. Therefore, if the canal section had not entered into that arrangement, New England would have had no rail-and-canal routes at all.

The Chairman.— Do you mean this freight is to be delivered at Buffalo to the rails, or carried on west of Buffalo on the Lake?

Mr. Noble.— It was carried on west of Buffalo last year on the Lake. But as there is no Lake Michigan Lake line on account of the Panama case, which diverts them from the road, and as the only line left declined to run to Lake Michigan, there is left no

package freight line this year to Lake Michigan. We are now arranging with the railroads running west from Buffalo to join in the through freight. So we will have then an outlet to the Middle West, and to the northwest we have an outlet to the Lake via Duluth. But if it had not been for the Federal lines New England would have had no benefit from that. The other lines did not care to enter into that traffic. So we are of benefit not only to the State of New York but almost, you might say, to the entire country in handling the traffic in both directions.

I have been asked, Mr. Chairman, to introduce in the record a copy of a statement prepared by Brig. Gen. Frank T. Hines on this subject. Brig. Gen. Hines is Chief of Transportation Service, United States Army, and has charge of the inland waterways under the Secretary of War.

The Chairman.—It will be inserted in the record.

(The paper referred to is here printed in full, as follows):

THE GOVERNMENT AND THE NEW YORK STATE BARGE CANAL.

[By Brig. Gen. Frank T. Hines, Chief of Transportation Service, United States Army.]

During the last few months there has been a considerable sentiment stimulated among private operators interested in the New York State Barge Canal to the end of eliminating the present Government operation on that waterway. It is believed that a statement of the purpose of the Government with relation to the development of inland waterway traffic, particularly as applies to the New York Barge Canal, will indicate the necessity for a continuation of the present program as in the best interests of inland water transportation and especially of the New York Barge Canal itself.

It will be recalled that early in the war there were practically no boats available which were suitable for operation on the new Barge Canal. The shortage of materials and other industrial conditions incident to the war made impracticable at that time the construction of new floating equipment by private capital. The New York State Engineer in his annual report for the year 1917 voiced the sentiment of private shipping interests along the canal when he said that the State of New York, after constructing the canal, should not be expected to build the barges to operate upon it. Yet in the stringent national transportation shortage which was faced during the early months of the war the New York Barge Canal was urgently needed. The only possible solution at that time was the construction by the Government through the United States Railroad Administration of a fleet of boats suitable for operation between the lakes and New York harbor.

This construction program included the acquisition of 51 steel cargo barges, 21 concrete barges, and 20 self-propelled steel barges, particularly designed

for operation on the New York Barge Canal and including in some respects features unique in inland waterway carriers.

None of this new equipment was delivered in time to be put into service during the war. Last season, however, 20 concrete and 48 steel barges of the new type were operated on the canal and transported 1,279,215 bushels of grain between the lakes and New York city. No short-haul work was attempted by the Government, such transportation being supplied by independent operators who utilized the canal facilities side by side and under the same conditions as did the administration fleet.

For the season of 1919 the Railroad Administration sustained a deficit of \$139,913.44 in its operations on the New York Barge Canal. This deficit, however, was no more relatively than that met with by the Railroad Administration in the operation of adjacent rail lines. The experience of waterway operations through New York State, in fact, clearly indicated that as soon as the complete fleet of Government-owned boats, particularly the self-propelled barges, were ready for operation, transportation upon this waterway would at once become profitable. Further, as a result of the inland waterway operation of the Railroad Administration throughout the country, the director general in his final report was able to make the statement that he believed the work initiated would, if carried beyond the present experimental state to a practical conclusion, show a complete economic justification for inland water transportation.

Upon the dissolution of the United States Railroad Administration the Government found itself involved in the operation of a considerable fleet of new barges on the New York canal and on other waterways, and at the same time with a number of boats, needed to complete its original program, contracted for but still undelivered. The railroads were returned to their owners, but the Government was unable to thus dispose of its waterway interests.

As the time approached for the return of the railroads to their owners, the nation-wide industrial transportation problems were appreciated to be little short of critical. The railroads, exhausted from the severe strain of the last few years, were recognized as unable to alone meet the transportation demands of the immediate future. The need for the utilization of waterways to a hitherto unthought of extent was thus forcefully apparent.

Congress, therefore, wrote into the transportation act of 1920 a definite policy with regard to the development of inland-waterway transportation. The program which it thus initiated committed the Government to an energetic role in the development of water-borne traffic. It called for the perfection of types of floating equipment particularly suitable for operation on inland waterways, the investigation of waterway terminal problems, and such general experimental work as would tend to promote, encourage, and develop water transportation within the United States. For this purpose provision was made for a continuation of the program initiated by the Director General of Railroads and the Secretary of War was directed to take over and administer the Division of Inland Waterways of the late Railroad Administration. A tangible nucleus was thus afforded for the initiation of this work by the War Department.

This provision of the transportation act of 1920 is considered to be one of the most beneficial pieces of legislation ever enacted for the healthy promotion of inland-waterway traffic. The inland waterway as a very important

transportation factor has been largely ignored and forgotten during late years in the enthusiasm for railroad development. The Government, after having spent innumerable millions in the development of rivers and harbors, finds itself in possession of a large amount of new waterway equipment and the facilities for large scale and diversified operations in which the real future of waterway traffic is thought to inhere. It, therefore, proposes to determine once and for all the exact extent to which these water routes may become profitably engaged in commercial traffic and, if possible, definitely establish the exact economic relation of inland water and rail transportation. Once these ends have been attained and the date of waterway economics incontrovertibly established, the Government will have performed its legitimate function and should then evacuate the operative field to individual enterprise.

In the execution of this program which has been delegated to the Secretary of War the Government has at present two principal spheres of activity: The Mississippi and Warrior rivers and the New York Barge Canal, on all of which continuation of the operations already begun is provided for in the transportation act. Experimental work of this nature, although it will undoubtedly be of great benefit to inland-water transportation as a whole, must necessarily place the Government to some extent in the light of a competitor on any particular route in which undertaken. It is, therefore, not surprising that even though the operation of the Government fleet on the New York canal is along the same lines and under the same status as that of any other commercial carrier, and its tariffs subject to the identical supervision, the presence of this Government fleet is resented by a number of private interests along the canal.

These interests, which probably do not appreciate the present attitude of the Government as a co-operator rather than an operator, have instigated the introduction of a congressional resolution nullifying so much of the new Government waterway program as relates to the New York Barge Canal.

This resolution, should it become a law, will, it is believed, defeat the very objects for which it is proposed. It will not only tend to nullify the highly beneficial inland-waterway program as yet barely initiated but it will necessitate the removal of the present Government fleet (including a number of barges still to be delivered) of ninety-two boats to other waters. Such action will leave the New York Barge Canal at the beginning of an important season practically without floating equipment, at least with very inadequate equipment to handle the traffic which it should be expected to bear.

If, on the other hand, Government operation on the New York canal is permitted to continue until such time as the provisions of the present law may be carried out and the new Government fleet found to be definitely profitable or unprofitable, there would seem to be no objection to the sale of these barges to such private interests as may be willing to adequately reimburse the Government for them. Until this point has been reached, however, the Government in case it should be excluded from operation on the New York Barge Canal can have no alternative but to transfer this canal equipment to other routes where its operations may be more desired.

Mr. Charles E. Reid (secretary the Bronx Board of Trade, New York City).—Mr. Chairman, would I be permitted to ask Mr. Noble a question? Will he be kind enough to state the purport of that paper in order that we may know something about what it is?

The Chairman.—It will be open to anybody who wants to see it. It will be printed in the record.

Mr. Reid.—I thought he might do it verbally.

Mr. Noble.—Mr. Chairman, it is very largely along the lines upon which the Secretary wrote to you, only more fully.

The Chairman.—It becomes a part of the record, and anyone who desires to examine it may do so.

Mr. Noble.—I think, Mr. Chairman, that I have answered, as far as I can, the questions that have been brought up, and have expressed the views of the Secretary of War as to the necessity of the continuance of this operation on the canal, but I do not want the impression to go out that we are advocating an indefinite period of Federal operation. As I understand the views of the Secretary of War—and they are certainly my views, and I think Brig. Gen. Hines's views—they are merely that the Federal operation should continue until the War Department has had the opportunity to demonstrate, with the operation of the complete equipment, what can be done, and further with the idea that even if we did discontinue to-day, it would not do any good, as to getting any additional equipment on the canal.

I think Gen. Wotherspoon expressed it pretty well just before he retired, in his statement written to the director of the division, that at least a year's notice of the discontinuance of Federal operation should be given, and a definite date set which would give private capital that much time in which to get ready, with the knowledge that at that time the Federal Government would relinquish all operation through the canal, and I think that is about as sound judgment as I know of, because then we have that definite date, and can work to that definite date so that when the Federal Government steps out private capital will be ready to step in with the equipment which they have acquired or built, and it would not leave any break in the operations on the canal.

Mr. Ward.— Mr. Chairman, may I ask Mr. Noble a question?

The Chairman.— Just one moment. I would like to ask a question or two. Have you finished your general review of the matter?

Mr. Noble.— Yes, sir.

The Chairman.— The Secretary of War has stated in his letter to me as follows:

The purchase price and contractual obligation incident to the acquisition of the foregoing equipment will involve an expenditure of approximately \$4,482,347.61.

Does that figure represent the entire investment on the part of the Government in these facilities?

Mr. Noble.— Approximately so, Mr. Chairman. The entire figure will be a little more than that, because that does not include some of the extras that had to be put on the barges and steamers and equipment. It will probably go to somewhere between \$4,500,000 and \$4,600,000.

The Chairman.— Assuming that these facilities can be disposed of at cost, that is, at their cost to the Government, what is the outcome of the operation on the canal; how much has the Government made or lost?

Mr. Noble.— The Government lost in 1918 approximately half a million dollars.

The Chairman.— In 1918?

Mr. Noble.— In 1918. That is the year they started. That is the year in which they had nothing but chartered craft. In 1919 our loss was, in round figures, \$140,000. They had no self-propelled barges in 1919.

The Chairman.— And up to the passage of the railroad bill in 1920, what was it?

Mr. Noble.— In 1920— those accounts are not closed up— but as nearly as I can estimate, the deficits for January and February will probably approximate \$50,000. There was no operation, you understand— no revenue.

The Chairman.— I understand that. So that the loss to the Government upon the assumption that the property acquired can be disposed of at its cost, will be something like \$700,000?

Mr. Noble.— Yes, sir.

The Chairman.— I assume that the Secretary of War does not desire to announce any general or permanent policy for the operation of the canal, or any other waterway?

Mr. Noble.— Just to what extent do you mean, Mr. Chairman? Do you mean as to the basis on which it is to be operated?

The Chairman.— No; I do not mean that. When the committee came to formulate the railroad bill, there was a good deal of discussion as to any continued operation of transportation facilities, and still more discussion with regard to the department of the Government which should be intrusted with that operation if it were decided to continue it temporarily.

Mr. Noble.— Yes, sir.

The Chairman.— And my question to you was, whether you were authorized to speak for the Secretary of War with regard to any permanent policy of Government operation?

Mr. Noble.— Well, I could not go beyond the present, and I only know the policy that is being adopted at this time.

The Chairman.— The view of the Secretary of War, as I gather it, is only expressed in this letter?

Mr. Noble.— Yes, sir.

The Chairman.— Which is that this property has been acquired and the Government is about to begin operation of its facilities this spring, and that it is the opinion of the Secretary of War that for some comparatively brief period the Government ought to continue?

Mr. Noble.— Yes, sir.

The Chairman.— That is, continue the operation in order to demonstrate something. Now, what?

Mr. Noble.— In order to demonstrate exactly what can be done with this type of modern equipment. It is experimental. Private capital can not afford to take the chances on an experiment that the Government has and is taking. We have been building oil-burning steamers. It is an experiment. We do not know; we can only figure out partly what they are going to cost; we can not say positively what they are going to cost or what they are going to accomplish. Therefore, it is an experiment that the Government can afford to take, but which private capital can not afford to take.

The Chairman.— Then your view of it is that if the Government abandons the experiment, nobody else will take it up and carry it on?

Mr. Noble.— That is my view, based on this: That I have had several prominent people come to me with the view of seeing what arrangement would be made whereby they could take over this equipment.

The Chairman.— What is the experimental part of it? What is doubtful with regard to it?

Mr. Noble.— The cost of operation.

The Chairman.— It is the cost of propelling these barges?

Mr. Noble.— Yes, sir.

The Chairman.— Can not the cost of propelling the barges be reduced to almost a certainty?

Mr. Noble.— It can not when you are using new equipment, which has never been used in the same way before.

The Chairman.— You do not mean the mere substitution of oil or other kinds of fuel?

Mr. Noble.— I mean it is an entirely different type of steamer, built on a different plan and a different line. We have figured it out; yes. We think we know.

The Chairman.— I want to get fully in my mind just what the change is. Of course, an oil-burning steamer is no longer an experiment.

Mr. Noble.— No; I do not mean that; but there has never been a twin-screw boat, 21-foot beam, used in this service on the canal. We do not know what speed we are going to be able to make, towing three of those barges. We know theoretically. It is partially experimental.

The Chairman.— If the experiment proves to be a failure, what then?

Mr. Noble.— If the experiment proves to be a failure, I doubt if private capital can be made to buy this particular equipment.

The Chairman.— They will go back to the old type?

Mr. Noble.— No, sir; they will build some other type, possibly. Or, again, it might be possible they would buy this equipment at a fair price, which would enable them to remodel it to the extent which might be required to make it economical for operation on the canal.

The Chairman.— It is not the view of the Secretary of War, then, that if this particular venture should be a failure the Government ought to go on and take up some other plan?

Mr. Noble.— No; I have not heard him express any such view.

The Chairman.— It all rests upon this, that it is your judgment that private enterprise or capital would not carry on this experiment, if it be called one, as completely and thoroughly and satisfactorily as the Government?

Mr. Noble.— Yes, sir; that is my view, and it is based, Mr. Chairman, on the interviews I have had with three or four parties who want to engage in it. For example, as to one of them who had the financial backing, his proposition was that he would take over the fleet and operate it on shares. That means if there was a profit the profit would be divided with the Government, and if there was a deficit the Government was to pay the entire deficit.

As to the other propositions, one was that he would take the fleet at 40 per cent of its actual cost, to be paid within 20 years. The other proposition was that they would pay 50 per cent of the actual cost of the fleet, and that the first two years there would be no

payment whatever, and after that it would be paid off in 10 years. Now, there was not any of them who would even consider the proposition of paying 100 per cent of the cost. They said they could not afford to take the chance.

The Chairman.—Do the people who are engaged in such business or such enterprise recognize that what the Government is trying to do is an experiment?

Mr. Noble.—Those people do. Some people do and some people do not.

The Chairman.—The experimental part of it, or the doubtful part of it, lies in the character of the construction of the barges and the type of boats you are endeavoring to use?

Mr. Noble.—Yes; in the type of the equipment, and whether it will do what it is intended to do. As I say, we have figured it out and believe that it will. Of course, it would not have been built if we had not so believed. We firmly believe it.

The Chairman.—How long would it take to determine the experiment, one way or the other?

Mr. Noble.—I should say this season will determine it absolutely. There would not be any question about it. That is my judgment.

Mr. Chairman and gentlemen, I am very much obliged to you.

Mr. Reid.—May I ask—

The Chairman.—I take it that what you are about to ask would be somewhat in the nature of an argument, and I would rather hear you in reply than to have an argumentative examination.

Mr. Reid.—It is in connection with the question you asked Mr. Noble as to the Government's policy of operating the boats at the present time. I believe Mr. Noble said they had not any definite policy. I think Mr. George Lake, general freight agent of the Inland Waterways Transportation, that Mr. Noble represents under the War Department, has sent out notices to the

effect that the rules and regulations and practices, and everything else connected with the operation of the barges on the canal for this season, under the Railroad Administration — that that policy would be adopted as their own and applied throughout.

The Chairman.— That is a matter that you can establish when you put in your argument.

Mr. Reid.— I just wanted to know if that was not a fact.

Mr. Noble.— We have, under the commission's rules, had to issue a circular as a supplement to the tariffs, taking over the tariffs of our predecessor's line in every respect. Then we go ahead at our leisure and issue that. I do not understand that that is a question as to the policy of the traffic.

The Chairman.— No; that was not my question.

Mr. Noble.— Mr. Chairman, I overlooked this one thing, with respect to the statement made by the commissioner of docks yesterday in regard to pier 12, East River, which I believe he said could not be turned back to the city because of our operation. As a matter of fact, we had to go to pier 12 because we could not find any other space. I do not mean to say that we were definitely refused room on the pier, which is just a canal terminal, but we were told they were going to be congested and our barges were so large, compared with the others, that it would be a little doubtful if we would have room enough. We only have 150 feet on pier 12, which is insignificant compared to the total. The balance is used by the Quartermaster General's Department, and must be so used.

I would also like to state that the Secretary of War would like to have Capt. Pratt make a few remarks with regard to the War Department dock matters in New York, and the terminal facilities in New York, in this connection.

The Chairman.— We would be very glad to hear him, but would like him to confine his statement to the point, because our time is very precious.

STATEMENT OF CAPT. JOHN S. PRATT, COAST ARTILLERY CORPS,
ASSISTANT TO GEN. HINES, CHIEF OF TRANSPORTATION SER-
VICE FOR INLAND WATERWAYS AND PORT TERMINALS.

Capt. Pratt.—Mr. Chairman, the General is rather concerned over some of the remarks made by the commissioner of docks of the port of New York relative to the War Department's terminal facilities there, and he has requested that I seek the indulgence of the committee in explaining the attitude and position of the War Department relative to the War Department's terminal situation at New York for the purpose of safeguarding the War Department's interests.

The Government-owned terminals under control of the War Department are those located at Boston; South Brooklyn; Port Newark, N. J.; Hoboken; Philadelphia; Norfolk; Charleston; and New Orleans.

The original investment involved in the construction and procurement of these terminals amounts to approximately \$155,000,000. This amount is inclusive, I might say, of the cost of the Hoboken terminal, which was procured as a result of a presidential proclamation. Thirty-two million dollars was invested in the construction of the terminal at South Brooklyn, and approximately \$9,250,000 was invested in the procurement of the facilities at Hoboken. I would like to invite the attention of the committee to the fact that this huge burden of cost was borne by the taxpayers of the country, and therefore some means should be provided whereby they might receive some adequate and just remuneration on their original investment. The policy of the War Department relative to the operation and disposition of these terminal facilities may be briefly summarized as follows:

First, that the title to the property should remain vested always in the Government of the United States.

Second, that the custody, control, and handling of the terminal facilities should be vested in the War Department.

Third, that such terminal facilities as become available from time to time and as are no longer required for use by the War Department or other governmental agencies be allocated to the commercial concerns of the United States for strictly commercial

uses; that the War Department, in allocating available terminal facilities, should take cognizance of the fact that the taxpayers of the Nation should in some way receive an adequate and equitable remuneration on their original investment.

Fourth, that the Shipping Board should be given priority of consideration in service at the terminals, except for the War Department, the Navy Department, and the Coast Guard Service.

Now, I can safely state that the policy of the War Department is to assist, with every means at its disposal, the development of an American merchant marine and a large American overseas commerce. If the chairman of the committee were conversant with all the facts in the case, I think he would see immediately that the Secretary of War has actually done more for the development of an American merchant marine and an overseas commerce than any other single agency in the United States. He has come out time and again publicly and announced his views and policies in no uncertain terms.

I have before me a photostat copy of a letter of instructions sent to all the terminal commanders, which I desire, with the permission of the committee, to introduce into the record for its information. This letter will clearly indicate the entire policy and the method of operation of the terminals by the War Department.

The Chairman.—The paper referred to will be put in the record.

(The paper referred to is here printed in full, as follows:)

WAR DEPARTMENT,
TRANSPORTATION SERVICE,
WASHINGTON, *February 10, 1920.*

From: The Chief of Transportation Service.

To: The commanding officer, Army supply base.

Subject: Information and instructions relative to War Department terminals.

The following information and instructions relative to War Department terminals are announced for your information and guidance:

I. TITLE AND CONTROL.

1. Title to the various War Department terminals is vested in the Government of the United States.

2. Control of the properties is vested in, and will be exercised by, the War Department.

II. JURISDICTION AND AUTHORITY OF THE CHIEF OF TRANSPORTATION SERVICE.

1. The Chief of Transportation Service has jurisdiction over and control of all transportation (except motor transportation) and transportation facilities pertaining to the War Department terminals, including railroad yards, docks, wharves, and piers, to warehouse walls.

2. The Chief of Transportation Service is charged with all matters relating to revocable licenses, leases, and agreements granted in connection with the operation of War Department terminals and facilities connected therewith.

III. PROTRACTED OR DEAD STORAGE.

1. Except for the storage of War Department material and supplies, no terminal, or portion thereof, will be utilized for purposes of protracted or dead storage. The exception in favor of the War Department will remain in force only until such time as suitable accommodations for the storage of its material can be provided elsewhere.

2. Incoming and outgoing cargo and freight, after remaining on the premises for thirty days, will be construed as being in dead storage, and will be removed forthwith.

IV. TENTATIVE POLICY.

1. Until such time as a permanent policy for the use and operation of War Department terminals is inaugurated, a tentative policy, subject to future modification, will be adopted, substantially as follows:

(a) Such terminal facilities as become available from time to time, and as are not required for use by the War Department, United States Coast Guard Service, Navy Department, United States Shipping Board, and other governmental agencies, will be tentatively allocated to the commercial concerns of the United States on a license, or lease basis, revocable at will.

(b) Berthing privileges, including the discharging and loading of transient cargoes, will be extended vessels of the Navy Department, the United States Coast Guard Service, and United States Shipping Board owned vessels without the execution of a written instrument. Correspondence will be forwarded at a later date indicating the policy adopted relative to the use of Army terminal facilities by the foregoing governmental agencies. A complete record will be maintained of all such services and privileges, including an enumeration of all damages to premises, cost of repairs incident thereto, and cost of commodities furnished these agencies.

(c) Until further directed, the United States Shipping Board, including its operating commercial concerns, will be given priority of consideration and service over all governmental agencies and the purely commercial concerns, except the War Department, Navy Department, and the United States Coast Guard Service. When pier and wharf facilities at terminals become available and are not required for use by the War Department, Navy Department, and the United States Coast Guard Service, the commanding officer of the terminal will first notify the local United States Shipping Board representative of the existence of such available facilities, and request information as to whether or not the Shipping Board or any of its operating commercial concerns desire accommodations thereat, before allocating any of said facilities to other parties.

2. Two forms of revocable licenses will be utilized, viz.:

(a) Revocable license for berthing vessels.

(b) Revocable license for berthing vessels, including the loading and discharging of cargo.

(c) Commanding officers of terminals are authorized to negotiate and execute the revocable licenses mentioned above directly with the proper local agents or representatives of the various agencies, firms, or corporations concerned. Standard-type forms of these revocable licenses, approved by the Judge Advocate General of the Army, are enclosed herewith.

(d) Four copies of each revocable license will be executed for distribution and file as follows: One copy for the licensee; one copy for the commanding officer of the terminal; one copy for the Chief of Transportation Service; one copy for the Real Estate Service, War Department.

3. One form of revocable lease will be utilized, viz.:

(a) A revocable lease conferring upon a commercial concern the privilege of utilizing extensive portions of the premises of the terminal that are available and not required for use by the War Department, Navy Department, United States Coast Guard Service, United States Shipping Board, or other governmental agencies. All such leases will be revocable at will.

(b) The revocable lease above mentioned will be negotiated, drafted, and executed by the Chief of Transportation Service, with the assistance of the commanding officer of the terminal concerned.

(c) Five copies of the revocable lease will be executed for distribution and file, as follows: One copy for the lessee (commercial concern); one copy for the commanding officer of the terminal; one copy for the Chief of Transportation Service; one copy for the Real Estate Service, War Department; one copy for the Judge Advocate General of the Army.

4. One form of revocable agreement will be utilized, viz.:

(a) A revocable agreement conferring upon a governmental agency the privilege of utilizing extensive portions of the premises of the terminal that are available and not required for use by the War Department. All such agreements will be revocable at will.

(b) The revocable agreement above mentioned will be negotiated, drafted, and executed by the Chief of Transportation Service, with the assistance of the commanding officer of the terminal concerned.

(c) Five copies of the revocable agreement will be executed for distribution and file as follows: One copy for the lessee (governmental agency); one copy for the commanding officer of the terminal; one copy for the Chief of Transportation Service; one copy for the Real Estate Service, War Department; one copy for the Judge Advocate General of the Army.

5. The problem of determining proper and equitable rates to be charged for various services and privileges is both difficult and important. The policy will be "to follow as closely as practicable the local commercial practice and custom prevailing at the particular port concerned for similar services and privileges." Such practices and customs differ widely at the different ports, and therefore the rates applicable at one terminal may not be adaptable to another terminal.

In accordance with the foregoing policy, commanding officers of terminals will formulate at once a definite system of permanent rates most suitable for

their respective terminals, to be charged for all the different classes of services and privileges that may be extended. This data will be forwarded in duplicate in a compact tabulated form on legal-sized paper direct to the Chief of Transportation Service, Washington, D. C., for survey and approval. The Chief of Transportation Service will be promptly advised of any changes that are recommended to be made in the rate system as finally approved and adopted.

6. Commanding officers of the terminals will be charged with the prompt preparation, presentation, and receipt of all bills for services rendered in accordance with and under the terms of revocable licenses, leases, or agreements.

All bills will be itemized and prepared in triplicate for distribution and file as follows: One for the licensee, one for the commanding officer of the terminal, one for the Chief of Transportation Service.

All payments for services rendered will be made by check. All checks will be made payable to the "Chief of Transportation Service," and local agents and representatives should be so notified upon presentation of bills. Commanding officers of terminals will collect all accrued funds and promptly forward same direct to the Chief of Transportation Service, Washington, D. C., together with one copy of the receipted, itemized bill.

7. Commanding officers of terminals will render, in duplicate, on the first day of each calendar month direct to the Chief of Transportation Service, Washington, D. C., the following reports; each report will cover the period of the preceding calendar month. Type forms are attached hereto for the information and guidance of all concerned. Such alterations (omissions or additions) may be made in each type form as will make it applicable to the organization and operation of the particular terminal concerned. Until further directed, each report will be rendered in mimeograph form on legal-sized paper, utilizing as many sheets as are necessary. The last sheet of each report will contain the certificate and signatures.

(a) A "funding report" indicating all bills received, funds received, and balances due for any and all services of whatever nature rendered agencies, firms, or corporations by the Government at the terminal.

(b) A "cost of operations report" indicating, in detail, the cost to the Government in operating the terminal.

(c) A "statistical report" which will include data pertaining to the terminal as indicated on the attached type form. Much of the required data can be obtained from the records of the commercial concerns privileged to use the terminal facilities. In all cases where records maintained by agencies, firms, or corporations are inadequate to furnish all of the desired data, the statistical officer of the terminal is hereby directed to take such action as will assure the procurement of all data necessary to accurately accomplish, in full, the attached type form of "statistical report."

8. Great latitude will be given commanding officers of terminals in the administration and control of their respective facilities. Every legitimate

effort consistent with the best interests of the Government will be made to avoid friction and controversy with the local shipping concerns and municipal authorities. Their co-operation and whole-hearted support is solicited. The successful administration and operation of terminals will be dependent, in great part, upon the establishment and maintenance of harmonious relations.

FRANK T. HINES,
Brigadier General, United States Army,
Chief of Transportation Service.

Capt. Pratt.—The committee will be interested in knowing that the annual rentals for the War Department terminal facilities at the port of New York, now under lease to commercial concerns, amount to \$360,000. This revenue will be materially increased when the matter of open-wharf privileges rendered commercial vessels has been included.

This is merely the beginning and represents only a small portion of the total revenues that will accrue as soon as all the terminals can be cleared of military dead storage acquired as a result of the recent emergency. The War Department is making every effort to clear its terminals of this dead storage. The congested condition of the terminals is one of the primary reasons why concentration of War Department activities at the port of New York can not be further consummated at this time. For example, there is approximately \$100,000,000 worth of Government property in storage at the South Brooklyn base, with no other available storage place to take care of it.

The revenues accruing directly from the leasing of terminal facilities will revert back to the Treasury Department as "miscellaneous receipts," and, therefore, the taxpayers of the Nation will receive proper remuneration upon their original investment. If the title were vested in the Shipping Board or in the municipality, the moneys thus accruing would not revert to the Treasury.

It is recognized full well that the property is of a nontaxable nature, and, therefore, the municipalities concerned are not receiving tax revenues therefrom. This feature is now under consideration of an Advisory Board, convened by the direction of the

Secretary of War to formulate a policy for the future use and disposition of War Department terminals. The board consists of the following members:

Brig. Gen. Frank T. Hines, Chief of Transportation Service, chairman.

Dr. R. S. McElwee, assistant director Bureau of Foreign and Domestic Commerce, Department of Commerce.

Mr. E. T. Chamberlain, commissioner of navigation, Department of Commerce.

Mr. H. B. Walker, president Old Dominion Steamship Co., New York City.

Mr. Thomas Carr Powell, vice president, the Erie Railroad, New York City.

The committee may be assured that the terminal facilities of the War Department are being utilized as intensively as the existing situation permits. It may be stated, in passing, that the following Shipping Board vessels have been accommodated at the Army terminals as listed below:

Boston base	26
South Brooklyn base	18
Hoboken	18
Norfolk	89

In addition to the foregoing vessels there have been a considerable number of privately owned commercial steamships accommodated under revocable licenses for open-wharf privileges.

In order to demonstrate to the committee that the War Department has gone much more than halfway to cooperate not only with the Shipping Board, but also with the municipal authorities as well, I desire to read an extract from a letter sent to the port and zone transportation officer, New York City, who is charged with the local control of War Department terminal operations at that port:

You are advised that the order of priority to be followed in providing berthing accommodations at army piers is as follows: Vessels of the War Department; vessels of the Navy Department; vessels of the Coast Guard Service; vessels of the United States Shipping Board; commercial vessels flying the American flag; vessels of foreign registry. It is requested that the foregoing priority schedule be strictly adhered to in every instance.

In order that the available army pier facilities may be used intensively and in accordance with the priority schedule mentioned above, it is requested that you maintain intimate liaison with the office of the commissioner of docks, port of New York. All available berthing space at army piers should be promptly reported to the proper official of the dock commission. As soon as you obtain advance information that certain available berthing space at army piers will become vacant at a certain time, it is requested that you communicate such information promptly to the dock commission in order that it may allocate vessels desiring berthing facilities in accordance with the foregoing priority schedule.

The closest cooperation between your office and the office of the commissioner of docks will be maintained at all times. A properly informed and qualified liaison officer may be detailed for this specific purpose if such appointment is believed necessary to obtain the desired results. It is particularly desired that the War Department be not placed in a position where it may be legitimately charged that it is not using all of its available pier facilities with the greatest intensity and in accordance with the fixed priority schedule.

The foregoing policy of cooperation is being carried out in detail at the present time.

The Chairman.—I will state, Capt. Pratt, that this is very interesting, but I do not see that it has anything to do with the matter before the committee.

Capt. Pratt.—Well, the whole point is that the commissioner of docks of New York made some remarks at yesterday's hearing concerning pier facilities in New York, and I think it desirable to demonstrate that we are doing everything possible under existing conditions to remedy the situation.

The Chairman.—That was an irrelevant remark, and we can not pursue every suggestion that may be made by people who have appeared before the committee. It is not possible.

Capt. Pratt.—Then, may I ask the chairman's permission to introduce a statement marked Exhibit B, which shows the revoca-

ble leases, and licenses that have been executed or under negotiation, and also another statement, marked Exhibit C, which will indicate the pier facilities formerly rented by the War Department but which have been released subsequent to the signing of the armistice?

The Chairman.— We will be very glad to have that inserted in the record.

(The paper referred to is here printed in full as follows:)

EXHIBIT B
Leases, licenses, and agreements at Army bases

Army base	Facilities	Total berthing space, linear feet	Total storage space, square feet, covered (about)	Lease or license	Lessee or licensee	Premises	Berth- ing space	Storage space, covered (about)	Date effective	Remarks
Boston	1 8-story warehouse, 128 by 1,638; 1 wharf, 1 pier and twin pier sheds (3-story) each, 100 by 924.	5,400	2,321,460		No lease has been made of any portion of the Army base. It has for some time been used for storage by the port and zone transportation office, the zone by office, the zone fire office, and the construction department. A large amount of supplies, including 43,000,000 pounds of wool, has been in storage. The Artillery boats of that district have been using the pier to tie up to. The pier and wharf have also been used by commercial vessels on revocable licenses.					
Brooklyn	4 piers, 60 by 1,346, 150 by 1,324, 150 by 1,307, 150 by 1,292; 2 warehouses, A, 200 by 980; B, 206 by 980; 8 storerooms, each 3 pier sheds, each 145 by 1,270; 1, 80 by 950; 2, 80 by 948; 3, 100 by 949; 4, 100 by 953; 5, 81 by 904; 6, 50 by 716.	10,540	24,500,000		Up to a recent date a large portion of the pier space at the Army base was being utilized by ex-German vessels not assigned to the Army for operation. Available pier space is being used to some extent by commercial vessels on revocable licenses.					
Hoboken	6 warehouses, each 161 by 1,121; all 1-story except No. 2 (2-story); 1 bulkhead wharf, 80 by 3,400; 2 sheds, 161 by 1,121 each.	9,950		Lease	Panama R. R. Co.	Pier No. 1 and working spaces in front of Pier No. 2.	1,888		Dec. 6, 1919	New lease prepared for execution.
Port Newark	9 warehouses, each 161 by 1,121; all 1-story except No. 2 (2-story); 1 bulkhead wharf, 80 by 3,400; 2 sheds, 161 by 1,121 each.	3,800	12,000,000 \$1,800,000	Lease	Commonwealth Shipping Co. United States B. S. S. & T. Co. Emergency Pier Corporation		1,894	\$18,078	Jan. 8, 1920	Under negotiation.
Philadelphia	3 piers—A, 60 by 1,140; B, 290 by 1,500; C, 290 by 1,320; pier shed on B, south wing, 96 by 1,500; north wing, 102.5 by 1,500; A and C, open pier.	7,920 (6,780)	734,390	Lease	United States Grain Corporation	Pier B, except sections A and B, in north wing of pier shed.	3,000	590,000	Jan. —, 1920	Not yet executed.
Norfolk	8 warehouses, each 160 by 1,680; 2 piers, each 257 by 1,280.	5,312	\$2,000,000	In use by Army. Lease	City of Philadelphia City of Norfolk	Sections A and B of north wing of pier shed. Piers A and C. Pier 2 and warehouse space.	4,920 2,560	(4) (4)	Nov. 20, 1919	

* Indefinite.

* Under negotiation.

* As open storage.

* Net

* Gross.

	Licenses	Variou ship- ping com- panies.	Wharf..... Wharf..... Under negotia-	Form of license ap- proved by Secre- tary of War Feb. 26, 1920.
Charleston.....	1 bulkhead wharf; 8 ware- houses, each 160 by 1,200; 2 ice houses, 150 by 1,350; 150 by 400; 2 open sheds, each 160 by 1,200. 2,840	Various ships by C. O. A. S. B.	Reserved for barge line. Reserved for Army. Under negotiation.	
New Orleans.....	1 wharf, 170 by 2,040; 1 wharf shed, 140 by 2,000; 3 warehouses, each 140 by 600 (6 stories). 2,040	Lease.... Port commis- sioners.	1,200 500 340	
	Gross.	Net.		

EXHIBIT C.

WAR DEPARTMENT,
TRANSPORTATION SERVICE,
Washington, April 9, 1920.

STATEMENT OF PIER FACILITIES FORMERLY LEASED AND RELEASED BY THE WAR
DEPARTMENT SUBSEQUENT TO THE SIGNING OF THE ARMISTICE.

(1) The eight piers comprising the Bush terminals at Brooklyn, N. Y., were returned to their owners, beginning with April 30, 1919, as rapidly as the break up and dissolution of the Army would permit.

(2) Pier No. 1 of the Lamport & Holt docks at Hoboken, N. J., was returned to its original owner on August 14, 1919, and Pier No. 2 was returned on November 7, 1919.

(3) The Wilson Line pier (Pier No. 9, of Hoboken, N. J.,) was returned to its original owner on November 6, 1919.

(4) Of the Holland-American docks, Pier No. 7 was returned to its original owner on October 31, 1919, and Pier No. 8 subsequent thereto, there being but two piers of the Holland-American Line as well as of the Lamport & Holt docks.

(5) All terminals are extending open-wharf privileges to commercial vessels under revocable license agreement.

By authority of the chief of transportation service:

JOHN S. PRATT,
*Captain, C. A. C., Assistant for Inland Waterways
and Port Terminal Branch.*

The Chairman.—I will say, gentlemen, that we must finish these hearings this morning, and I must ask those who are yet to be heard to confine themselves to the point at issue.

Capt. Pratt.—I thank you very much, Mr. Chairman.

STATEMENT OF CAPT. ALFRED BROOKS FRY, REPRESENTING THE
MERCHANTS' ASSOCIATION OF NEW YORK.

Capt. Fry.—Mr. Chairman, may I premise by stating that although I have served the United States as an engineer under the Navy, the Treasury, and Commerce and Labor, that I appear in my individual capacity as taxpayer and as a citizen of New York and not as a Federal officer. In this case it would seem as though we might well be guided by the ancient maxim of "Render unto Cæsar the things which are Cæsar's."

It seems useless to take up your time in restating a case that has been so well stated with reference to the difficulties that are sure

to follow Federal operation of vessels, and Federal operation, I think, needs to be differentiated from necessarily Federal title or Federal ownership, which at times it is conceivable might be desirable. It is also well to make it perfectly clear that I am sure the superintendent of public works of the State of New York would be the last one to desire a misunderstanding of the proposition that the United States has the same freedom of operation of the Barge Canal as you, as an individual or I as an individual, or any person having to do with commerce on the great waterways.

However, whether it is rational or irrational, it is quite obvious that there is a strong fear always of Federal competition, and it is also quite obvious, and a known fact that requires no proof and hardly a restatement, that if the Federal Government is going to enter a given field, other persons are shy of entering that field.

I desire to address myself particularly to the statement made by my fellow public servant in the War Department with reference to the need of continuing the experiment which he has already outlined in his able arguments. A reference to the report and data that I accumulated, as far back I think — the State Engineer will testify — as 1908, show successful operation with self-propelled barges in German, Belgian and Dutch waters, and also the operation of barges of various sizes and various models, either self-propelled or towed on the same waters, and to some extent on French waters. So that the movement of vessels in interior waterways has passed the experimental stage. Apparently the experiment has cost the United States up to the present time something like a million dollars, plus the investment in the fleet, and in view of the fact that the great merchant marine of the world has been developed as the result of individual effort and individual attempts, I think we can very safely assume that the people of the Empire State, who built the original waterway from the Great Lakes to the sea, and who have expended more than \$150,000,000 in the present waterway, can be safely trusted to carry on their own experiment without loss to the taxpayers of the United States, among which they are no inconsiderable number.

I think it is quite obvious that any continued operation by the War Department of these vessels is likely to result in more or less

reluctance on the part of private owners, and I just ask that you carry that principle in your minds.

As regards terminals, I grant that it is beyond the issue, but it is very distinctly connected with the canal question. I want to point out to the committee that New York has acquired great frontages at its great ports, notably at the port of New York; that they are taken away from the municipal taxable property, and therefore the ports like New York where that condition exists are not only deprived of revenues directly from their own water front but deprived of taxable property, and at relatively small units like Hoboken, for example, the continued retention by the War Department of its only big dock water front is a very vital question to the Hoboken taxpayers. The same condition exists in their occupation of the water front at South Brooklyn.

Giving due weight to all these things, Mr. Chairman, I do hope that your committee and Congress, in its wisdom, will follow exactly the same principle that you have outlined in the railroad bill; that you will follow the same principles that they are enjoying in the Shipping Board, and the Shipping Board in its own wisdom is carrying out the principle at this time, "Render unto Cæsar the things which are Cæsar's," and render unto the boatmen and seamen and taxpayers of the United States the individual duties that our system of Government requires shall be given to them. [Applause.]

Mr. Walsh.—Mr. Chairman, may I ask the date of the Secretary of War's letter.

The Chairman.—The date of the letter to which I refer is the 30th of March, 1920.

Mr. Walsh.—May I ask Mr. Noble a question?

The Chairman.—Yes.

Mr. Walsh.—Mr. Noble, you referred to the Shipper's Navigation Co., in the extension of their fleet this year?

Mr. Noble.—Yes, sir.

Mr. Walsh.—You had the Shippers' Navigation Co.'s boats under charter in 1918?

Mr. Noble.—A few of them; yes, sir.

Mr. Walsh.—You had all of their boats, did you not?

Mr. Noble.—I cannot answer. The man who chartered them was Mr. Littlejohn. I did not go into the section until very late in the season of 1918.

Mr. Walsh.—But Mr. Littlejohn became an employee of the canal section?

Mr. Noble.—He was superintendent of the canal section.

Mr. Walsh.—He was employed on April 21, 1918, was he not?

Mr. Noble.—I believe so.

Mr. Walsh.—It is only a question of good faith involved. Mr. Chairman, I would like to read this circular letter issued by the Shippers' Navigation Co., under date of April 30, 1918, and signed by Mr. A. J. Littlejohn, who was then in the employ of the United States Railroad Administration, canal division. I would like to read it just for the impression it will have upon you.

The Chairman.—It will have no effect whatever on the decision of the committee, because it is immaterial to our inquiry.

Mr. Walsh.—It is simply a question of good faith that is back of this situation. Mr. Littlejohn says over his own signature, in the employ of the Railroad Administration:

SHIPPERS' NAVIGATION Co. (INC.)

New York, April 30, 1918

NOTICE TO SHIPPERS AND CONNECTING CARRIERS

The New York offices of this line have been removed from 59 Pearl Street to No. 11 Broadway; telephones, Bowling Green 9718, 9719.

EFFECTIVE IMMEDIATELY

The entire canal traffic of this line has been taken over by the inland waterways committee of the United States Railroad Administration, which will be in absolute control of all water movement between New York, Buffalo, intermediate points, and for the west.

All inquiries for rates, service, etc., should be made to traffic department, New York canal section, United States Railroad Administration, Hudson Terminal Building, 50 Church Street, New York.

Telephone, Cortland 2003.

Until the termination of the war no canal lines will be permitted to undertake any traffic movements for their own account.

SHIPPERS' NAVIGATION Co. (INC.).

STATEMENT OF MR. ALEXANDER R. SMITH, NEW YORK, N. Y.

Mr. Smith.—Mr. Chairman, I publish a book devoted to the interests of the port of New York, and I am editor of the *Marine News*, a marine publication in New York.

The record of the proceedings of the Committee on Commerce of the Senate, in the winter of 1917-18, records the testimony of Mr. G. A. Tomlinson, to this effect, that he had all but perfected arrangements for the construction of 100 barges — this is in the fall of 1917 — to operate on the canals of the State of New York; that he had gone to Buffalo to make his arrangements and place his orders, and at about the time he was ready to do that the Federal Government through the Navy Department stepped in and took the shipyards that he had intended to use for the construction of tugboats, for the service of the Navy Department, which prevented him from carrying out the plan that he had for the construction of 100 barges for use upon the canals of New York State. In reply to a question by the members of the Senate Commerce Committee, he stated that if it should be the intention of the Federal Government to enter into transportation upon New York canals, he would not think of placing such an order or operating such vessels.

Mr. G. A. Tomlinson was the same gentleman, who was selected by the Federal Government, by the Railroad Administration, to take charge of New York canals when the Federal Government took them over, and so the Federal Government recognized his ability. He is one of the largest individual vessel owners on the Great Lakes, and if I am not mistaken a large grain operator, and was in a position to know about where to route a great deal of his own business, and a man thoroughly versed in transportation matters. There was another corporation that had all but been formed the date that the announcement was made that the

Federal Government was going to take over the canals. It was a corporation that was negotiating through one of the largest banking institutions in New York, and I think Mr. Walsh was the prime mover, involving several millions of dollars; a corporation doing business on the canals of New York State, and the capitalists who were interested threw up their hands and gave up the idea the moment the Federal Government came in.

I thank you, Mr. Chairman.

The Chairman.—Is there anyone else who desires to be heard?

STATEMENT OF CHARLES W. WARD, SECRETARY CHAMBER OF COMMERCE, TONAWANDA AND NORTH TONAWANDA, N. Y.

Mr. Ward.—Mr. Chairman, I wish to say that it seems to the people of our community—that is, all with whom I have come in contact and with whom I have talked and I have talked with a great many people in western New York—all of them are directly concerned in this matter, and it is the wish of those people and of the organization I represent that the Federal Government withdraw and that the barges and other equipment now in the hands of the Federal Government, constructed and planned for operation on the canal, be so disposed of that they will still continue to be operated on that canal.

Now, we are rather anxious that it should not be understood that we have succumbed to the general criticisms of the inefficiency of governmental operation. We do not feel that way about it at all. We have a great deal of confidence in the War Department for the functions which they were organized to perform. We do not have a great deal of confidence in its successfully serving the function which it was never calculated to perform. There is one thought in that connection which I wish to emphasize which has occurred to us, and that is that it is not merely a question of what equipment may be available for operation.

The Government may have such equipment and make it available, perhaps, as well as private interests. The success of operating upon the canal is not dependent upon the equipment alone; but as is the case in any other business, it is largely a matter of

organizing and developing and promoting the business, selling the service on the canal; and no private interest is going out and undertake to do that so long as the Federal Government is in competition with it; and the Federal Government is not equipped; it has not the traditions and the equipment or the incentive to go out and solicit, organize, develop, and build up that business. By its form of organization it is disqualified for that service.

Mr. Noble stated that this canal that we have turned over from the State of New York, costing some \$200,000,000 to the Federal Government, has been operated at 95 per cent. in the service of the country in general, and not by the State of New York, and if the equipment is turned back to the State of New York and private interest operates the canal, it will sell that 95 per cent. of its capacity for use in the service of the country in general.

Now, if our State has turned over free, without charge, to the Federal Government a \$200,000,000 investment to be so used, it seems to me it is not ungenerous at all. It does not seem to me that it can be accused of disloyalty in suggesting that the equipment ought to be turned back to the State of New York, and if someone other than the State of New York should suggest that in response to the generosity of putting its canal at the disposal of the Federal Government, the Federal Government should return the whole equipment to the State of New York gratis, I do not think that any such person is likely to be accused of a lack of generosity.

I thank you, Mr. Chairman.

Mr. Charles H. Reid (secretary of The Bronx Board of Trade).

— Mr. Chairman, may I go on record —

The Chairman.— I understand that everybody in the State of New York is in favor of this bill.

Mr. Reid.— Our board of trade subscribes to all that has been said in reference to the return of the Barge Canal to the State authorities.

Mr. McConnell.— Mr. Chairman, the matter of Federal transportation on the canal has cost the citizens of New York State

many millions in experiment to determine the most practicable plans, and the system of a steamer known as the barge and consort system, has long been in successful operation on our canal before the Government entered the field, the difference in cost, however, for such fleet being wooden boats or boxes, in contradistinction to steel barges.

Mr. Frank M. Williams (State Engineer).— Mr. Chairman, I desire permission to insert in the record the minutes of the hearing before the Canal Board on April 10, 1918.

The Chairman.— They will be inserted in the record.

(The minutes referred to are here printed in full as follows:)

CANAL BOARD.

STENOGRAPHERS' MINUTES OF INLAND WATERWAYS COMMITTEE HEARING — WEDNESDAY, APRIL 10, 1918.

The subcommittee consisted of Brig. Gen. C. Keller, Mr. Calvin Tompkins, and Mr. G. A. Tomlinson.

Gen. Keller addressed the board as follows:

Mr. Chairman and gentlemen of the board, we are here at the request of the Director General of Railroads, Mr. McAdoo, by whose authority we are acting in connection with the promotion of navigation upon the inland waterways of the United States, and he has requested us to submit to you certain ideas, in a more or less general form, which I believe also should be discussed more or less in confidence between us, and while I hesitate to make any direct request on the subject, I think the matter should be discussed in executive session.

(The board went into executive session.)

Gen. Keller.— May I suggest that it was not our idea that any employee of the State of New York should be excluded, but I had the idea that any newspaper publicity would not be desired in case we should engage in more or less intimate details of discussion.

The Lieutenant Governor.— Gen. Keller, we will be glad to hear you now.

Gen. Keller.— Mr. Chairman and gentlemen of the board, as you doubtless know in a general way, ever since the constitution of the National Committee on Inland Waterways the committee has had under consideration, at the request of the Director General of Railroads, the matter of your New York State Barge Canal, his idea being one that is generally entertained, that this magnificent completed waterway should be utilized to the greatest possible extent in helping out the railroad transportation system as a part of the general transportation system of the country, and he has asked us to suggest to him various plans that would operate toward the end of promoting navigation upon the New York State Barge Canal.

We have submitted two reports on the subject to him, the last one quite recently, and he has had that report under his careful consideration, and we had a meeting with him on Sunday, at which time he said that he was very desirous, in his capacity as Director General of Railroads, under the authority that he now possesses, to do everything that is needful to promote the use of the barge canal, using to that end a part of the fund of \$500,000,000, if necessary.

I may say that it is his desire to be liberal; he does not wish to skimp or to save. He wants to use all the money that can be effectively employed for this purpose.

On the other hand, he has not definitely made up his mind at this moment, although he will in a few days, since he is studying the report now and revolving the matter in his mind, making up his mind as to which of the various recommendations he wants to adopt. Whether it will be his own choice or ours, or neither one, we are unable to say. He, however, wished that, before he should make any final decision in the matter, the subcommittee of the committee itself (and he selected these three members of the committee as representatives on the subcommittee) should call upon the governor of this State and your canal board and ascertain officially and in formal fashion what would be the attitude of the authorities of the State of New York toward a national transportation enterprise of some form or other, not definitely described, that might engage in business upon your State Barge Canal.

We understand that your constitution requires that the canal shall be toll free — toll free not only as to the bed of the canal, but as to the use of the locks. I may, perhaps, be in error, but I think that is correct.

The director general wished to know definitely, so that the matter may be of record and that there may be no misunderstanding, so that he may be justified in the engagement of national funds in the promotion of a navigation enterprise. He wishes to know definitely in advance just what the authorities of the State of New York will assure to the National Government as regards the State barge canal, if there would be an assurance that the State will operate the canal structure and will maintain, in connection with the terminals prescribed by law, the operation of the canal itself.

In other words, he wants the understanding to be made as clear and precise as possible in advance of the investment of national funds. When that understanding has been definitely functioned, then I feel sure that I am justified in being confident that the director general will go very far in providing facilities of the most modern kind for use upon your barge canal.

That is all I have to say at the present time, gentlemen. I leave the further discussion of the matter to you.

(Gen. Keller made a further statement which he requested be not taken on the record.)

State Engineer Williams.—Gen. Keller, I think that, so far as the general proposition of the use of the canal is concerned, this board is prepared to state to the Director General of Railroads now that the State proposes to maintain the channel and the locks and will operate them during the season of navigation free of charge to whatever boats, coming within the regulation of the superintendent of public works, desire to operate on the canal. That regula-

tion of the superintendent of public works can go so far as to limit the width of a boat or the draft of a boat that may operate. These are regulated by the physical necessities and by what the superintendent of public works regards for the best interests of the canal system of the State and its navigation.

Of course, the idea of dragging boats along the bottom of the canal that would be close to the maximum draft would result in the lack of speed, which the superintendent would regard as undesirable. There might be some other system by which the boats might move faster.

I don't know of any other assurances that the State can give you in regard to the use of the canal, generally.

Gen. Keller.—I think that covers the ground. I may say, as a reply to your suggestion, that the director general and this committee had no intention to transgress your regulations in any way. In fact, all our proposals are based upon the recommendation of the superintendent of public works as to permissible sizes and drafts of vessels; so that we have had in mind to observe as faithfully and closely as possible—far more than most private individuals would do—in case the Government might engage in or be responsible for operation upon the canal; we propose to observe in the utmost degree every restriction imposed by your regulations.

What are your terminal facilities?

State Engineer Williams.—The terminal facilities are not as far advanced as are the channel facilities, which would naturally be so, for you can see that the terminal would be of no use until the channel was finished; and therefore the channels are finished faster than the terminals. But in nearly all the larger cities of the State there have been constructed dock walls, and that is true to a greater or less extent of the smaller cities and larger villages along the line of the canal, and we are equipping these dock walls as fast as they can be equipped.

Our Buffalo terminal could be used, but not to great advantage, probably, before about the middle of the summer—that is, the Erie Basin terminal. Syracuse is in about the same condition, whereas Troy, Albany, Schenectady, and Utica terminals, and most of the others, could be used quite extensively immediately upon the opening of navigation.

Gen. Keller.—In other words, the docks are there?

State Engineer Williams.—Yes; and they are in the two places that I have mentioned, but the street approaches are not ready.

Gen. Keller.—They could be connected?

State Engineer Williams.—Yes, sir; and that is true of a portion of the New York terminals, although not of all.

Mr. Tomlinson spoke as follows:

Mr. Lieutenant Governor and gentlemen, the general has spoken about the political or nonpolitical aspect of the matter, but I want you to understand that I am glad to be among Republicans; it is a very agreeable feeling to be back among a bunch of Republicans. I have been on the committee two months, and if I do not speak well it is because I am not accustomed to speaking.

I became interested in the Erie Barge Canal in view of being interested in an individual enterprise. About three months ago I proposed to build 100 steel barges for the Erie Barge Canal, without either the aid of the State of New York or of the United States of America, or any other system of financing except putting in our own dollars. I found, after an easy passage through Albany, that I met with difficulties in Washington, and difficulties which, as explained to me, I now think were justified. I was for individual operation on the barge canal and other features of the inland waterways because I am an operator to a moderate extent on the Great Lakes. When Gen. McAdoo asked me to go on this committee, I undertook that work with some fear and trembling aside from my own limitations, but I am becoming thoroughly convinced that successful operation, especially during the winter, of all our inland waterways, with the possible exception of the Great Lakes, can only be maintained not only by Federal construction but by Federal supervision.

To speak practically, if the Government of the United States sees fit to build a large number of barges for the Erie Canal or for the Mississippi River, it is going to perform the work at this time largely because of the exigencies of the European war; not only must it have the cooperation of every individual, but it must have, to a limited extent—I am speaking as an individual member of the committee—the right to supervise and regulate any of the independent lines.

You can readily see, as applied to the Erie Barge Canal—and this is true of the Mississippi River as well—that if the Government is going to furnish the tonnage, especially the through tonnage—and most of the tonnage to be carried on the Erie Barge Canal must be through tonnage—if it is going to give business and grant satisfactory rates, it must have control and supervision not only of the tonnage that avails itself of it but of the individual.

For instance, I know of one going concern on the barge canal now—I think it is at Syracuse, Mr. Grady—that is now asking the Government of the United States to not only furnish them business but to grant them rates.

That is all right, so far as it goes, but if the Government of the United States desires any vessel of that fleet to perform any urgently necessary transportation act, it should have the power to compel it to do so. My thought is, and it is the thought of the majority of the committee—and, I think, the unanimous thought—that the Government should be granted some authority from the State of New York, so that it could have some supervising or licensing power over the individual operators—I mean to say only during the continuation of the present railroad act.

The State Engineer.—Has not the Director General of Railroads the power to take that at any time he sees fit?

Mr. Tomlinson.—I think he may have, Mr. Williams, but I don't think it is the attitude of the director general that he wants to make such an arbitrary issue.

The Attorney General.—I am afraid that is the only way it can be done.

The Lieutenant Governor.—The canal board has no control except in accordance with the rules and regulations here. Your point is whether such an attitude on the part of the Government would be agreeable to the canal board? .

Mr. Tomlinson.—No, sir; what is in my mind and in the minds of the committee is that *while the present railroad-transportation act* is in effect, the *independent* operators should work under the supervision or licensing system of the Government. That is to say, if you have a barge fleet, before it engages in any individual or special trade it shall have permission from the Railroad Administration, or waterways committee, or whatever function the Government may decide to place on it.

Gen. Keller.—Mr. Tomlinson's idea is that this power of supervision is the essential power necessary to coordinate business on the canal, and it will be used to exact the maximum utility of the canal. We want to get all we can. It is not to limit private enterprise, but to control and govern private enterprise, so that the maximum efficiency can be gotten out of it.

The Lieutenant Governor.—That contemplates a power which this board does not now have and never did exercise.

The Attorney General.—And which it can't give under the Constitution.

The Lieutenant Governor.—Yes. You can see that if the board simply say they are agreeable to the Government's inaugurating such a program, and I assume that the board is willing—I speak for myself now—if the Government thinks it necessary. I certainly would feel as though we ought to do it, if we could.

The State Engineer.—This board has no authority to give you. If we did give it to you, it would not amount to anything, because we haven't it to give.

Mr. Tomlinson.—It is a constitutional question?

Mr. Tompkins.—The essential consideration that is in the minds of this committee and of the governor general is that we work in complete harmony with the State. We want to know where we stand, and we don't want any loose ends or adjustments to be made afterwards. The United States Government wishes to operate the canal so as to obtain the maximum tonnage and efficiency, possibly through direct operation and possibly through private enterprise, and it will facilitate one as well as the other. I think your experience and mine (I am an engineer and surveyor) and the practical experience with boat construction and operation that Mr. Tomlinson has had—and I may say in confidence that if this enterprise goes through Mr. Tomlinson will be the controlling and directing spirit in it, and the waterways committee will back him up in every way they can—will show that the weakness of the Erie Canal since its early days, before the days of the railroads, is that it has been operated by individual, small units without any coherence or organization. The primary idea of the canal and of the railroad was the same. The railroad was constructed with the idea that people would put wagons on it and run it, and would put boats on the canal. That has been continued in the canal system, but not on the railroads.

In this new waterway measure, the idea is to weld the whole thing together as a national transportation unit; and we feel, in the committee, that the maximum advantage can be gotten out of this great waterway (which is the natural highway here across the country) *by operating it through a central authority* as far as the administration of the transportation goes, *during the war* and while the present railroad legislation lasts; and it is for that reason,

because it is the only way in which the greatest economy and promptitude of service can be obtained, that the committee is advocating that, and Mr. Tomlinson, with his experience in boat construction and operation on the Great Lakes, firmly believes himself.

I understand (and we rather anticipated the suggestion that has been made) that there is a constitutional inhibition against delegating any such authority, but we would like (and I think the governor-general would like) any assurance from the canal board that the board and the Federal Government would cooperate in harmony toward that general policy.

The State Engineer.—Could you outline a little more fully what the plan would be? This is a mere tentative plan or suggestion that we are discussing now (tentative suggestion on the part of your committee). Can you outline a little more as to the details of that plan? Do you propose to serve now the through traffic that comes from the Great Lakes, or do you also propose to take care of the local traffic that originates along the line of the canal?

Mr. Tompkins.—The canal would be equipped, through public or private enterprise, with the necessary equipment to make it the most effective instrument of transportation that we could make it, and it would be operated in conjunction with the railroads; but just how far private enterprise would go and how far Government control would be applied we are not at liberty to say to-day.

We first want for the director general the assurance of cooperation and harmony between the State organization and the Federal organization, in which case I feel very well assured, as Gen. Keller has said, and Mr. Tomlinson, that the Government will back the enterprise up to the last notch, because it is the *only great relief that we can get to help out the railroads during this war period*; and it is vital to the interests of the State of New York, and to the whole northeastern sector of the United States, that this waterway should not only be put in first-class order and operated in the most effective way, but in cooperation with the railroad system of the entire country, so that it will not be simply a waterway between the terminal cities of the State, but that all the cities in the country will be benefited, and the Erie Canal will be operated as though it were a part of the railroad system of the country. You can see the immense value which would accrue through such an operation of the canal.

The State Engineer.—For your information and that of the committee, the canal authorities are connecting the terminals with the railroads at several points along the canal, and these physical connections we hope to have ready within a very short time.

There is one thing which has disturbed some of the business interests of the central part of the State, along the Mohawk Valley, and that is the question of coal. They were somewhat short of coal during the recent coal famine, and they have thought that, because of the existence of the canal through the central part of the State, they might get coal service by canal, rather than by rail. That is one of the reasons why I asked that question—whether you intend to meet both through and local needs with this system, or whether you had in mind only the transportation of grain from the Great Lakes to New York City.

Mr. Tompkins.—No; the idea is to do both.

Gen. Keller.— You might say that that is one of the things that the director general mentioned — that coal was one of the principal problems and that coal transportation and supply have given the railroads more trouble than any one thing they have had to contend with, and while we did not press that one point in the beginning, the director general himself did, and that is one of the duties he has placed before us.

Mr. Tompkins.— I would say that we have included in our report the very excellent recommendations of Gen. Wotherspoon, the superintendent of public works, regarding the use of the Watkins and Ithaca terminals, and we have two engineers making a survey of that now to obtain the necessary facilities for the transportation of coal.

Further than that, we look to the distribution of coarse freights, particularly road metals, for the carriage of road metals to such points as they can be used in road construction. It is familiar to you all at present that there is a railroad embargo on road metals, and that is one direction in which the canal can be used to great advantage. The canal will relieve the railroads from the transportation of coarse freights and enable them to serve other classes of freight with advantage to the country at large.

The State Engineer.— Looking forward to the use of the terminals this spring and summer, we have a plan to put on what we designate now as temporary equipment, which will consist of movable autocranes. These cranes might be delivered at Syracuse and possibly other places and could be put on a flatboat and transported to some other point. They are steam-operated, so they don't have to depend on electric connections, which might be difficult in various cities. That will meet part of the difficulty as to road-building metals and the handling of coal or any coarse class of freight.

Mr. Tompkins.— There is no reason why the Erie Canal and Hudson Valley can not be made as important in an industrial sense as the Rhine Valley in Germany has been.

Attorney General Lewis.— I want to call attention, in answer to what Mr. Tomlinson suggested, and to explain the limitations upon the power of the canal board and the State authorities generally.

Section 8 of article 7 of the constitution of the State provides:

"The legislature shall not sell, lease, or otherwise dispose of the Erie Canal, the Oswego Canal, the Champlain Canal, the Cayuga and Seneca Canal, or the Black River Canal; but they shall remain the property of the State and under its management forever."

Section 9 provides: "No tolls shall hereafter be imposed on persons or property transported on the canals, but all boats navigating the canals and the owners and masters thereof shall be subject to such laws and regulations as have been or may hereafter be enacted concerning the navigation of the canals."

Now, with these provisions in the fundamental law of the State, where they can not be repealed or eliminated to meet an emergency, the power of the State, of course, is bounded and restricted.

That, however, does not seem to me to be an insuperable objection, because of the fact that the director general, under the war power conferred upon him, has assumed control over privately owned transportation lines for the period of the war, and for a period after the close of the war will continue to exercise

the control and operation of transportation lines which he has already taken over. I am not prepared to say that the State could not effectively oppose, if it should desire to do so, the assumption by the director general of the power which Mr. Tomlinson has suggested, but I think I may safely say that the State as a State, and the canal board as a board, will be glad to cooperate with the director general to carry out, under the language of the constitution and the statutes of the State, any suggestions that the director general may make. If the director general should undertake to assume complete control over the canals, I can not concede that he can do it lawfully. I think, however, that it is safe to say that no objection will be made on the part of the officials of the State charged with the administration of the law and the canal system to such use as can be made by the director general exercising his war power. That, I think, is the one and only answer that can be made to Mr. Tomlinson's suggestion.

The Comptroller.—Is not that a complete answer?

The Attorney General.—I think it is, if it is satisfactory.

Gen. Keller.—That is satisfactory.

Mr. Tomlinson.—Is there any difference of opinion?

The Lieutenant Governor.—I certainly agree with it very heartily.

Mr. Tomlinson.—I think the attitude of the Government at Washington is that the physical upkeep of the canal itself and the provision for terminals and the maintenance of the physical property of the canal, which is the property of the State of New York, should rest where it is now.

The Lieutenant Governor.—The State to maintain the canal and keep the channel open.

Mr. Tomlinson.—The State to maintain the canal and keep the channel open.

The Attorney General.—And to operate the locks.

Mr. Tomlinson.—And the Federal Government would have the supervision, during the period of the present railroad transportation law, of the transportation on the canal. I think that is the idea that animated the committee.

State Engineer Williams.—Mr. Tomlinson, on the plan that you have, you include transportation of the various classes of merchandise on the canal, do you not? You don't confine the canal to the transportation, of course, of low-grade freight?

Mr. Tomlinson.—I don't think that has been worked out. We are only anxious that the State will give us a through route of traffic to work in cooperation with the railroads. That is, of course, a very essential thing. We don't know how much tonnage we can turn out at this time.

The State Engineer.—Do you propose to take over the present equipment of the canal?

Mr. Tomlinson.—I think I would be going beyond what is strictly ethical in answering that. I can say that we have given the Erie Barge Canal a very favorable report. I want to say for Mr. McAdoo that he has been more than cordial and more than kind in our efforts to develop this particular proposition. In fact, Mr. McAdoo is very much for the inland waterways.

The State Engineer.—Would that include the taking over of the Champlain Canal, or only the Erie? Would the Government interfere in any way with the operations of Witherbee, Sherman Co., who have a mine at Fort Henry, on Lake Champlain?

Mr. Tomlinson.—I am only speaking of the operation of the Erie Canal. It should be free. That operation on the Champlain Canal is a well-defined operation. They are nonessentials. For instance, at Utica, if the Government needed somebody's barge, we would say: "Under your license we want you to carry some other freight." Take the matter of coal, the through coal rate might not be as profitable as the carrying of something else, and in order to carry on a successful operation of the canal on account of the necessity of getting coal to this section of the country, we would like to have it within our power to regulate it and require that man to transport coal.

The Lieutenant Governor.—In other words, that should all be subordinated to the immediate needs of the Government.

Mr. Tomlinson.—Yes, sir; secondary to what the Government requires. It might be just as necessary to get an aeroplane from Rochester as to bring grain from Buffalo. I don't see how, if no supervision is obtained, we can get anything like Government operation.

Mr. Tompkins.—May I ask the State engineer when the canal will be ready, in his judgment, through to Buffalo? Will it be done by May 15?

The State Engineer.—It will be opened May 15. That means we will have on that date a channel that will take any boat that will pass the locks. There will be some restricted sections of the canal, perhaps of 2 miles in length, in a half dozen places, where the channel will be 50 feet wide on the bottom; the locks are 45 feet wide. We are going to keep right on with the widening of the channel, so that in the early summer we will have it done all the way through.

Gen. Keller.—What will be the depth?

The State Engineer.—Twelve feet.

Gen. Keller.—We have been given to understand that we could not count on more than 9½ feet.

The State Engineer.—That is what the superintendent thinks will operate on a 12-foot prism. I am inclined to think he is correct about that.

Gen. Keller.—We could get through any of the present equipment of the canal by that time?

The State Engineer.—Yes; any present equipment can go through, and these restricted sections will be 12 feet deep.

Gen. Keller.—I think the case has been fully discussed and has been fully understood, and it will be favorable to your cause (it is as much your cause as ours) if your body or the governor should write the director general a letter incorporating what seems to be the unanimous attitude that the State will take. I think that will be in accordance with the recommendations that we have made to the director general, and I think in the end the result will be very agreeable to all of us.

The State Engineer.—You want the State to maintain and operate the canal itself and you on your part will operate the equipment on it?

Mr. Tompkins.— Operate and control the operation.

Mr. Tomlinson.— We will operate certain equipment. We don't want to operate the whole equipment. For instance, in the Champlain portion, we would not want to operate it at all. We don't aspire to operate every boat that navigates the canal, but we do want to control the operation of it.

The Lieutenant Governor.— I think somebody from this board should go with you to the governor.

The Secretary of State.— I move that the lieutenant governor, attorney general, and State engineer be a committee to wait upon the governor with the committee and to act on behalf of the canal board.

The Comptroller.— I second the motion.

The Lieutenant Governor.— And whatever they say will carry with it the full strength of the canal board.

(The motion was put and unanimously carried.)

The Treasurer.— I understand from this proposition that it does not prevent any other person from operating a boat on this canal under Government supervision.

Mr. Tomlinson.— Not only that, but it enables him to operate on joint tariffs, which he would not have as an operator under the present situation. There is no ulterior motive behind this. We are simply looking for the greatest efficiency in the operation of the canal.

Mr. Tompkins.— We want to say that we appreciate the spirit in which you meet us. Our idea is simply to get the maximum efficiency out of this great waterway, and we feel that we have your full cooperation and active interest with us in the enterprise as it goes on.

The Lieutenant Governor.— We appreciate that.

STATEMENT OF CHARLES E. REID, SECRETARY OF THE BRONX BOARD OF TRADE, NEW YORK CITY.

Mr. Reid.— Mr. Chairman, I do not think that the War Department desires to exact now any jurisdiction over our canals, at this time, when the war is practically over. New York State always did and always will aid Uncle Sam with his many difficult problems, and at no cost. The boats that have been constructed were made for the Barge Canal, and are adapted to it better than for any other waterway. Would it not be an excellent idea for Uncle Sam, as a fair return for past favors granted and given by the Empire State, either give outright or at a fair cost to the Empire State, that has done so much financially and otherwise for her country at any and all times, these boats, and thus aid in making a great success of the canals of the Empire State, which would be a great asset to the United States if properly operated?

The Bronx Board of Trade subscribes to all that has been said by other representatives of the State, the officials and representatives of civic organizations, in favor of the passage of this resolution.

By direction of the chairman, and at the request of Mr. Walsh, the following resolutions by various New York State organizations are inserted in the record:

MARITIME EXCHANGE,
78 Broad Street, New York City.

RESOLUTIONS ADOPTED BY THE EXECUTIVE COMMITTEE OF THE MARITIME ASSOCIATION OF THE PORT OF NEW YORK ON APRIL 7, 1920, UPON RECOMMENDATION OF THE CANAL COMMITTEE.

Whereas the act of Congress effective on March 1 last and terminating Federal control of the railroads of the country did not restore the canals of New York State to the operating basis prevailing prior to the war, inasmuch as the above act authorizes and directs the Secretary of War to continue the activities of the Government in our inland waterways, indicating that Federal Government will operate barges on the New York State canals in direct competition with citizens of New York State; and

Whereas the emergency that invited Government operation on these waterways no longer exists, and its continuation will be most detrimental to the successful development of the canals by private interests, on whose energy and initiative the future of the canals as important factors in our carrying trade must depend: Therefore be it

Resolved that the Maritime Association of the Port of New York respectfully urges the favorable consideration by the Senate Committee on Interstate Commerce of the resolution introduced by Senator Wadsworth providing that the railroad bill, as far as its provisions affect our inland waters, shall not apply to the canals of New York: Be it further

Resolved that in recommending the withdrawal of the Government from competition with private interests on our canals, we strongly urge that as a partial compensation for the use of its canals during the war the Government turn over to the State all equipment purchased or constructed for service on the canals, in order that the same may be available for use by private interests through purchase or charter; and be it further

Resolved that copies of these resolutions be transmitted to Senator Wadsworth and the members of the Committee on Interstate Commerce.

RAFAEL RIOS, *President.*

Attest:

JOHN DAVID, *Secretary.*

THE ROCHESTER CHAMBER OF COMMERCE.

Whereas the United States Government, at the invitation of the State, operated as a war measure barges, boats, and tugs in commercial service on the canals of New York State; and

Whereas the "Transportation act 1920" transfers such equipment to the Secretary of War for continued operation; and

Whereas the emergency that was responsible for such Federal service on the New York State canals no longer exists; and

Whereas the continued operation of such barges, boats, etc., in commercial service by the Federal Government will prevent the establishment of similar service on the canals by private carriers and make impossible the full development of traffic on the New York waterways: Be it

Resolved, That the Rochester Chamber emphatically disapproves the continued operation by the Federal Government of barges, boats, etc., in commercial service on the New York State canals, and urges that section 201 of "Transportation act 1920" be immediately amended to provide that its provisions will not apply to the Federal operation of boats, barges, etc., for commercial purposes on the canals of New York State.

BROOKLYN CHAMBER OF COMMERCE,

Brooklyn, N. Y.

RESOLUTION.

Whereas the development of permanent privately operated canal service on the New York State barge canal is of paramount importance to our commercial and industrial development; and

Whereas existing and intended operation by the Federal Government of barge lines on the New York State barge canal is a commercial service in direct competition with private enterprise, and will tend to discourage the normal development of regular and efficient canal service through private initiative and individual effort; and

Whereas a resolution is now pending before the United States Senate providing that the provisions of the recently enacted railroad bill shall not apply to the canals of New York State: Therefore be it

Resolved, That the Brooklyn Chamber of Commerce express its disapproval of the operation by the Federal Government of the barge service on the New York State barge canal in competition with private enterprises and urges the Senators and Representatives from New York to lend their support in securing the adoption of the aforementioned resolution and subsequent legislation of this character: And be it further

Resolved, That copies of this resolution be forwarded to the chairman of the Senate and House Committees on Interstate Commerce, the Secretary of War, and the Senators and Representatives from the State of New York in Congress.

MAYO FESLER, *Secretary.*

Brooklyn, New York, April 5, 1920.

TROY CHAMBER OF COMMERCE,

TROY, N. Y., April 8, 1920.

Mr. EDWARD S. WALSH,
Raleigh Hotel, Washington, D. C.

DEAR SIR: We desire to confirm telegram sent you this morning, and which read as follows:

"Greatly regret our delegate forced to abandon trip. Troy chamber directors have indorsed your recommendations regarding New York canals and desire to be so recorded at hearing.

"JAMES A. BEATTIE,
President Troy Chamber of Commerce."

Trusting that you received same in ample time to be read at the hearing, we are,

Yours, very truly,

G. WRAY LEMON,
Managing Secretary.

RESOLUTION.

BROOKLYN CHAMBER OF COMMERCE,

Brooklyn, N. Y., April 5, 1920.

Whereas the development of permanent privately operated canal service on the New York State Barge Canal is of paramount importance to our commercial and industrial development; and

Whereas existing and intended operation by the Federal Government of barge lines on the New York State Barge Canal is a commercial service in direct competition with private enterprise, and will tend to discourage the normal development of regular and efficient canal service through private initiative and individual effort; and

Whereas a resolution is now pending before the United States Senate providing that the provisions of the recently enacted railroad bill shall not apply to the canals of New York State; Therefore, be it

Resolved, That the Brooklyn Chamber of Commerce express its disapproval of the operation by the Federal Government of barge service on the New York State Barge Canal in competition with private enterprises, and urges the Senators and Representatives from New York to lend their support in securing the adoption of the aforementioned resolution and subsequent legislation of this character; And be it further

Resolved, That copies of this resolution be forwarded to the chairman of the Senate and House Committees on Interstate Commerce, the Secretary of War, and the Senators and Representatives from the State of New York in Congress.

MAYO FESLER, *Secretary.*

The Chairman.—The committee will now be compelled to adjourn, as the Senate is on the point of convening.

(Accordingly, the hearings having been declared concluded, the committee adjourned.)

APPENDIX "B."

OPERATION OF THE NEW YORK BARGE CANAL.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,

HOUSE OF REPRESENTATIVES,

Washington, D. C., May 20, 1920.

The committee assembled at 10:45 o'clock A. M., Hon. John J. Esch (chairman) presiding.

The Chairman.—The matter before the committee this morning in Senate joint resolution 161, introduced by Senator Wadsworth, "To exempt the New York State Barge Canal from the provisions of section 201" of the transportation act of 1920. Mr. Parker, what arrangements have you with reference to this hearing?

Mr. Parker.—There are several gentlemen here from New York, Mr. Chairman, who would like to be heard on this bill. The Superintendent of Public Works of New York, and the chairman of the Inland Waterways Association of New York State, and several other gentlemen are here who want to be heard on this measure.

I would like first to introduce Mr. Walsh, the superintendent of public works of New York State.

The Chairman.—We will be glad to hear Mr. Walsh.

STATEMENT OF HON. EDWARD S. WALSH, SUPERINTENDENT OF PUBLIC WORKS OF THE STATE OF NEW YORK, ALBANY, N. Y.

Mr. Walsh.—Mr. Chairman, the Superintendent of Public Works of the State of New York is charged by the constitution of the State with the maintenance and operation of the inland waterways, or the State canal system.

On Friday, April 9, a hearing was held before the Committee on Interstate Commerce of the United States Senate; and at that

hearing the State of New York went on record as protesting against the further operation of the canal system of the State of New York by the Federal Government. Every board of trade and chamber of commerce in the State of New York adopted resolutions in favor of the Wadsworth resolution, exempting the State of New York from the provisions of the transportation act. The Senate and Assembly of the State of New York passed a concurrent resolution to the same effect. The Canal Board of the State of New York passed a resolution to the same effect; and the governor of the State of New York is on record as opposing further Federal operation of the State canal system.

I do not know, Mr. Chairman, of any further argument that can be offered.

The State of New York is opposed absolutely to the further operation of its canal system by the Federal Government, and it has voiced its opposition in the most unmistakable terms. We suffered a great deal from Federal operation for three years. The progress and development of our canal system has been thrown back. We have spent nearly \$200,000,000 in improving our waterway system in the State. At the time the war broke out we had arrived at the time that we thought was the opportune time to go in and develop our waterways, and just at that time the Federal Government took practical control of the operation of those waterways. Immediately that that was done private enterprise was frightened off. Private enterprise would not enter the field of canal transportation and compete with the Federal Government.

They told us in 1918 when they took operation of our canals away from us that it was done to relieve the congested condition of the railways. The necessity for transportation was greater at that time than at any time in the history of the country.

The result was a tragedy. The State of New York carried on its canal system under Federal operation in 1918 less tonnage than in any year since 1846, when it was a 4-foot ditch. That is the opportunity they gave the State of New York to help in the war; that is what they did to our canals; and they threw us back an interminable period in development.

The situation to-day in New York, Mr. Chairman and gentlemen, is this: That until the Federal Government relinquishes operation of our canal system not one penny of the people's money in the State will be invested in further developing the enterprise that they started 100 years ago, and for which they have spent many hundred millions of dollars.

That is the feeling of the people in the State of New York. That feeling is expressed in the resolutions adopted by every commercial organization in the State, by the senate of the State, by the assembly of the State, and by the canal board of the State, and also indorsed by the governor of the State. Now, I do not know what else New York can say.

Those of us who are familiar with the development of our waterways system are absolutely sure that we are right. We are absolutely sure that we can not go ahead; we are absolutely sure that our growth is stunted until Federal operation is removed. We have seen it. We gladly gave the use of our canals to help out in the war, and we were ashamed of what they were able to do under Federal control; they did nothing, absolutely nothing. For the first time in 100 years the whole fleet of boats that lay in the Harbor of New York in the spring of 1918 went light — did not carry a pound of freight — and we were told that the railroad terminals were congested with freight.

Mr. Denison.— Why was that?

Mr. Walsh.— Because they would not put the freight on the boats.

Mr. Denison.— Who would not?

Mr. Walsh.— The Government—the Railroad Administration. Never in the history of the State of New York had those boats gone light before. It was a crime. The Government was obliged to pay for them going light from New York to wherever their destination was. They ran up and down like excursion boats; they performed no service, comparatively speaking. We were ashamed of the record that they made. We know what our waterways are capable of doing; we know why we spent all of this

money for developing them. And that was the opportunity they had to do something, and the opportunity that the State of New York had to prove their value; and that opportunity was taken away from us. With all the power and with all the resources that the Railroad Administration and the Government had behind them, we did nothing. That is why we are here to-day, to protest and to ask you to remove Federal operation from our New York State waterways system.

The Chairman.— How many of these tows and barges are now on the canal?

Mr. Walsh.— Belonging to the Government?

The Chairman.— Yes.

Mr. Walsh.— Fifty-one steel barges, 21 concrete barges, 10 or 12 steamboats, and 3 or 4 wooden barges. I believe that is the total of their equipment at the present time.

The Chairman.— The original resolution merely took from the Secretary of War the right of operation given him under the new transportation act. The resolution as it passed the Senate, however, is more elaborate and contains provisions as to the method of disposition of the tows, barges, and other equipment, giving to the individuals who intend to use them on the canals the first right of purchase.

Mr. Walsh.— Yes, sir.

The Chairman.— Suppose the Government, through the Secretary of War, had other uses for this equipment on other streams, would you be satisfied if the Government relinquished any right of operation of the canal, and in fact, got off of the canal, and disposed of this equipment as it saw fit?

Mr. Walsh.— No; I would not, Mr. Chairman. I suggested before the Committee on Interstate Commerce of the Senate that the least that the Federal Government could do, in part compensation for the injury inflicted upon the State, would be to turn those boats over to the State and let the State in turn charter them or sell them or lease them through private enterprise to be operated

exclusively upon the State of New York's canal system. Now, if the Federal Government sells those boats, or leases them or char-
ters them, to be used on waterways not in the State of New York, I do not think we will receive a square deal for the injury that we have suffered by the Government control.

The Chairman.— Well, if the Government did not operate those barges to any appreciable extent, how would you be damaged by their removal to other waterways?

Mr. Walsh.— We would be damaged if they only ran one boat on the canal. You know, Mr. Chairman, that the sentiment of the country is not in favor of Government operation. You also know that there is nobody who will compete with the Government. Many companies, many private enterprises were in course of formation when the Government took charge of the New York State waterways system. Many companies and concerns which were financially responsible were ready to enter the field; but as soon as it was announced in the newspapers that the Government had taken control of the canal system, just at that moment, they dissolved, never to go back into the business until the Government relinquished operation of the canal.

The Chairman.— Suppose the Government found that there was actual need of tows and barges, for instance, on the Black Warrior River, and on the lower and the upper Mississippi River, and in order to meet the needs of transportation on those great highways it should decide to remove this equipment there, would you object to that?

Mr. Walsh.— Yes, sir; I would.

Mr. Cleary.— Mr. Chairman, may I inject a remark at this point, so as to clarify the situation? I am, as you know, one of the members of the Committee on Rivers and Harbors. I am also, perhaps, the oldest living expert on State canal transportation.

And I would like to suggest this: That in building barges for waterways, in order to make them profitable in operation, they must be built with relation to the kind of waterways they are to be operated on. For instance, on the Mississippi and Black Warrior

Rivers, or some other stream where there is not very much water, these narrow boats that Mr. Walsh speaks of would not be suitable for operation; they are only, I think, 22 feet wide, and at the same time are about 12 feet high; and they would be perfectly useless on those rivers; they are not built for service on the Mississippi River. You would have to have long, wide barges, having only a slight draft in order to be profitable on those rivers. The reason that the Erie Canal boats were built in that way was in order that they could go through the locks with the steamer that pulls them. The locks are 45 feet wide, so that they can have two boats alongside of each other — there are two pair of them in each lock. They are built for that purpose. .

I have been in the business for 50 years, and I know that every waterway has to have its own type of boat; and it would be perfectly foolish to attempt to run this kind of boat on those rivers in the south; they are built for use in a canal which has locks of that width. The only other place where those boats could be profitably used would be on the Raritan Canal, which runs to New Brunswick, N. J. But on those southern waters, this type of boat would not be of any value; the boats are not wide enough; they are not long enough; and they would not carry freight profitably; you would have to have boats that would be profitable in order to meet the situation there.

Mr. Sims.— I would like to ask you why these boats could not be operated on the Black Warrior river?

Mr. Cleary.— That is the reason, as I have just stated — because it is not profitable. You can not operate anything anywhere unless it is profitable; nobody operates anything that he does not make money out of. And the Government should not be permitted to operate anything that it can not make money out of, because in the end it will cost the taxpayers money. It is very easy to say that the Government will do a certain thing at a loss, and that we will pass a general deficiency appropriation bill and pay for it, but if business men do a thing that is not profitable they will “go broke.”

The Chairman.— Have you anything further to submit, Mr. Walsh?

Mr. Sanders of Louisiana.— Mr. Chairman, I would like Mr. Walsh to explain this resolution, from line 10 down to the end.

Mr. Walsh.— I have not a copy with me.

Mr. Sanders of Louisiana.— The first part of the resolution, down to line 10, merely restores the canal to the State of New York, to which I have no objection; but beginning in line 10, with the words "the Secretary of War shall within 30 days," there are provisions which indicate clearly to me that the barges, etc., are intended to be made a gift to the State of New York.

Mr. Walsh.— That was my original suggestion, Mr. Congressman.

Mr. Sanders of Louisiana.— The intention of this part of the resolution, to my mind, is to give these barges to the State of New York.

Mr. Walsh.— Yes, sir.

Mr. Sanders of Louisiana.— That is your intention, is it?

Mr. Walsh.— Yes, sir.

Mr. Sanders of Louisiana.— You think that ought to be done?

Mr. Walsh.— Absolutely, I think it ought to be done. I think it is a moral obligation on the part of the Government.

Mr. Sanders of Louisiana.— Do you think the Government ought to give those barges to those people when the Government can use them to advantage on other streams?

Mr. Walsh.— The State of New York can use those barges; the State of New York wants to use those barges.

Mr. Sanders of Louisiana.— I understand; but why should the Government give them to the State of New York?

Mr. Walsh.— Because it subjected the State of New York to an injury by taking over the canal and failing to operate it that can not be repaid by disposing of these barges in that way. Nobody has built any boats for use on the canal, and no companies have been organized to maintain any lines on our canals because the

Government has been in control of them. And the least that can be done in part reparation for that injury that the Government has done is for it to turn over for use on the canal part of those boats that inflicted that injury.

Mr. Sanders of Louisiana.— Your statement is that the Government has done an injury to the State of New York by the operation of the canal?

Mr. Walsh.— Yes, sir.

Mr. Sanders of Louisiana.— With all due deference to you, I will ask if that injury has been established in any way outside of your own statement?

Mr. Walsh.— No ———

Mr. Sanders of Louisiana (interposing).— Has there been any direct evidence of a loss to them as a result of the Government control?

Mr. Walsh.— Only the statistics as to the loss of commerce to the State.

Mr. Sanders of Louisiana.— In what way has an injury been shown?

Mr. Walsh.— Perhaps you were not here when I began my statement. I spoke of the fact that when the Government took over that canal and failed to use it, that was a distinct injury to the State of New York. We spent hundreds of millions of dollars to improve our waterways system with absolutely no result on account of the policy of the Government. There was no commerce on the canal, comparatively, during the war.

Mr. Sanders of Louisiana.— Do you think the Government ought to repay everybody, then, who was injured by Government operations during the war?

Mr. Walsh.— No, sir; I do not think the Government ought to repay everybody.

Mr. Sanders of Louisiana.— Why should it repay New York State, then?

Mr. Walsh.— The Government, as I understand it, has turned over thousands of army trucks to the states whose roads were injured by its operations. Our waterways are highways just the same as the roads are, and the traffic on our canal is of vital importance to the State.

Mr. Sanders of Louisiana.— But that general distribution of motor trucks —

Mr. Walsh (interposing).— There has been no general distribution.

Mr. Sanders of Louisiana.— I am talking about the distribution of motors to the States whose roads were injured.

Mr. Walsh.— That was only comparatively a small matter.

Mr. Sanders of Louisiana.— I do not see why we are called upon to make any special contribution to the State of New York, and turn over to it the Government-owned barges.

Mr. Walsh.— Well, all that I can say is that it seems to me very clear that the Government should make some reparation.

Mr. Sanders of Louisiana.— I want to ask you this question: You state that these Government-owned boats and barges and tugs and the other transportation facilities can not be used upon any other waterway in this country.

Mr. Walsh.— I did not say that.

Mr. Sanders of Louisiana.— You do not state that as a fact?

Mr. Walsh.— No.

Mr. Sims.— You say the Government deprived the State of New York of the operation of the canal?

Mr. Walsh.— I beg your pardon.

Mr. Sims.— I understood you to say that the Government deprived the State of New York of the operation of that canal?

Mr. Walsh.— By taking over almost all of its facilities; yes, sir.

Mr. Sims.— Did the State get any revenue out of the operation of the canal?

Mr. Walsh.— No, sir.

Mr. Sims.— Not a cent?

Mr. Walsh.— No, sir.

Mr. Sims.— Then the Government has not taken any revenue from the State of New York; it has not financially damaged the State of New York, if New York has received no revenue out of the canal.

Mr. Walsh.— Yes, sir; it damaged the State of New York by the loss of the State's commerce on the canal.

Mr. Sims.— The State had no commerce on the canal, did it?

Mr. Walsh.— Yes, sir.

Mr. Sims.— The State had commerce on the canal?

Mr. Walsh.— The people of the State had.

Mr. Sims.— Well, but the State itself had no commerce on the canal?

Mr. Walsh.— The public owns the canal.

Mr. Sims.— But the State of New York did not spend a dollar on this canal during that time?

Mr. Walsh.— Yes, sir; it maintained the canal.

Mr. Sims.— But it would have had to do that anyway?

Mr. Walsh.— Yes, sir.

Mr. Sims.— Not an additional dollar was taken from the State of New York. Did the operation of the Government barges on that canal deprive the State of New York or any other party from the use of the canal?

Mr. Walsh.— Yes, sir.

Mr. Sims.— How?

Mr. Walsh.— Only by physically blocking the channel.

Mr. Sims.— Did the Government prevent anyone from using that canal on the same terms that they always could use it on?

Mr. Walsh.—No; it did not prevent anyone from using the canal; but you know the effect of the Government controlling the canal was to destroy private enterprise.

Mr. Sims.—How could it destroy private enterprise by its control when it did not operate it? How could it drive private enterprise off under those conditions?

Mr. Walsh.—It frightened everybody else off.

Mr. Sims.—Why did it frighten everybody else off?

Mr. Walsh.—Because the Government could suffer any loss it pleased, or make any gain it pleased, and private enterprise could not take that chance.

Mr. Sims.—Did the Government reduce rates?

Mr. Walsh.—No, sir, it raised rates.

Mr. Sims.—It raised rates?

Mr. Walsh.—Yes, sir.

Mr. Sims.—Now, it is claimed, I believe, that these canal boats can not be used anywhere else except on that canal.

Mr. Walsh.—I did not say that.

Mr. Sims.—No; they could not be used with profit anywhere else?

Mr. Sanders of Louisiana.—No; I believe it was Representative Cleary who said that.

Mr. Sims.—Well, I say it was claimed that that was the case. But you do think that the Government ought to make to the State of New York an absolute gift of the equipment and property used on that canal, which absolutely did not prevent anybody else from operating on that canal?

Mr. Walsh.—That is an expression of my personal opinion. I said that, and I maintain it; but that is simply my personal opinion. The State of New York does not say that it wants the boats to be turned back. I expressed that opinion at the hearing before the Senate Committee on Commerce.

Mr. Sims.— You are representing the State of New York?

Mr. Walsh.— Yes. And I still believe the State of New York is entitled to that compensation.

Mr. Sanders of Louisiana.— Would you be satisfied to have this resolution passed down to line 10, leaving out this gift of boats, barges, etc.?

Mr. Sims.— I see no reason why the resolution should not pass and let the canal be operated under control of the State.

Mr. Sanders of Louisiana.— I am asking the question whether he would be satisfied with the return of the canal without the gift of the facilities to those people?

Mr. Sims.— We do not want to pay them to take it back.

Mr. Sanders of Louisiana.— No; we do not want to pay them to take it back; and this would be an absolute gift to them.

Mr. Walsh.—No, sir, Mr. Chairman, we would be opposed to the passage of this resolution eliminating from line 10.

Mr. Doremus.— Well, Governor Sanders, I fail to find anything in the resolution which directs or even contemplates a gift of that equipment.

Mr. Sanders of Louisiana.— Well, the wording of it is so peculiar that you would have to read it very carefully. When I say it is a gift I do not mean an absolute donation in law, but I mean a practical gift by the Government to the people of New York of this equipment. When you read it you will see that nobody else can bid for the equipment except the people that want to use it on that canal, and, of course, the people who want to use it on that canal will get together and bid; that has been the history of every case where the Government had anything to sell.

Mr. Doremus.— But the resolution provides for a purchase and a sale, and not a gift.

Mr. Sanders of Louisiana.— It clearly says that the sale shall be made to purchasers who intend to use the equipment upon the canal.

Mr. Cleary.— Mr. Chairman, may I make a statement at this point?

The Chairman.— I suggest that we allow Mr. Sanders to finish.

Mr. Sanders of Louisiana.— I would like to answer the suggestion of the gentleman from Michigan. I contend that, under the peculiar wording of the resolution, from line 10 down, while it is not worded as a gift, if you analyze it it amounts practically to a gift to the men who intend to use this equipment on this canal; in other words, they will get together and agree among themselves and bid whatever they feel like bidding.

Mr. Cleary.— Mr. Chairman, may I say a word at this point? I have bought and sold boats a great many times in my life, and I have done it for other people, too. I was for 25 years vice-president of a water transportation company in that section of New York, and I know that there is no such thing as those men getting together and agreeing on a bid for that equipment.

Mr. Sanders of Louisiana.— When the Government sells the property they will get together and bid on it.

Mr. Cleary.— No; they do not get together, because everybody on that canal — farmers, owners, dry-dock men, merchants, and everybody to whom this equipment would be worth anything — will bid on it, just the same as they bid on a house and lot, or anything else that is offered for sale. I know that there is no combination. I can stand here and mention a hundred persons that are directly interested in canal transportation, in one way or another, that would bid on this equipment. I would bid on it myself and I would not enter into any combination with any man. Mr. Walsh would be willing to bid on it. Anybody who knows about boats would bid on that equipment. So that I deny that there is anything at all in what Mr. Sanders has said; there is nothing in that. And I am speaking from experience as a representative of the State and as a practical transportation man.

Mr. Sanders of Louisiana.— I am speaking from experience in saying that whenever the Government sells anything the Government always gets the worst of it.

Mr. Sims.— Especially where there is a compulsory provision to sell to certain people.

Mr. Sanders of Louisiana.— Yes. Especially where there is a compulsory provision like that, and when it goes on as this resolution does and says that the people of New York shall not only have the opportunity to buy this equipment but shall have the opportunity to lease it.

Mr. Walsh.— Well, is that not the fair thing to do? If you lease a house to a man, and if you decide to sell that house, your tenant usually gets the first opportunity to buy.

Mr. Sanders of Louisiana.— I never heard of any such provision in a lease.

Mr. Walsh.— Mr. Chairman, in conclusion, I will say that we believe that these boats should not be taken from our canal system. We should at least have the preference right to purchase them. In fact, we believe that the boats should be maintained on our canal system, because, by the maintenance of these boats on our canal system by the United States Government other boats have been deprived of the opportunity to do business on the canal. We do not want to lose the tonnage; we do not want to lose the capacity of the boats. That is what I mean when I say the boats should be maintained. I am frank to confess that if private enterprise went into the building of boats, as they will as soon as the Government control is released, they would not build this type of boat, particularly at this time, when the demand for transportation is so great.

We have a deep waterway from the Great Lakes to the sea. We need the tonnage on that waterway system; and until we can equip ourselves with its equivalent, or ten times its equivalent, we certainly need what equipment we have. Now, the Government put those boats there, and prevented enterprise from building boats, and they should certainly allow the private interests which will buy or charter those boats to operate the boats until such time as they can build new equipment.

Mr. Sims.— But as I understand it, the State of New York will not buy or bid for a single one of these boats.

Mr. Walsh.— No; not the State.

Mr. Denison.— You seem to be of the opinion that these boats would not be serviceable on any other waterway. Now, suppose the parties along the Mississippi River want to pay the Government a higher price for the boats than the people on the New York Barge Canal are willing to pay. Do you not think they ought to have the privilege of buying boats under those circumstances?

Mr. Walsh.— The people along the Mississippi River did not suffer any damage by the Government taking over this canal; the people of the State of New York did suffer damage. Now, until we can catch up with the position we were in when this Government operation started, we ought to have the use of these boats. That is simply a matter of justice. I do not say that the State of New York should have any rights that the people along the Mississippi River should not have under the same circumstances. I say, simply as a matter of justice, that these boats should be kept on the waterways of the State of New York to give us a chance to catch up; because during the operation of the canal by the Government, nothing was done in the way of using the canal by private enterprise; no boats were built and there was no traffic on the canal.

Mr. Denison.— Now, you say this loss was suffered by individuals. Can you state to the committee that any particular man suffered a loss? It may have been a profiteer.

Mr. Walsh.— No; not at all.

Mr. Denison.— Well, we can not limit the purchase of the boats to people who have lost money during the war, can we?

Mr. Walsh.— No. The intent of this bill is that only those who intend to use the boats on the New York State canal system may bid on the boats.

Mr. Denison.— But the very men who may buy in these boats may be men who made the greatest profits out of the war.

Mr. Walsh.— I do not know of any men who made money out of the war on our canal system.

Mr. Denison.— Well, they may be men who made money out of other things during the war. So that we can not, by law, limit the purchase to persons who have lost money by the war.

Mr. Walsh.— No; of course not.

Mr. Denison.— And as a straight business proposition, do you not think that if the people on other waterways are willing to pay the Government higher prices for these boats —

Mr. Walsh (interposing).— And take them elsewhere?

Mr. Denison.— Yes; that the Congress would be doing a wrong by denying them that privilege?

Mr. Walsh.— Do you not think that you owe the State of New York anything?

Mr. Denison.— Well, if the State of New York has got a claim —

Mr. Walsh (interposing).— It has; and this is the only way it can be paid.

Mr. Dewalt.— You stated the number of barges and vessels owned by the Government. Will you please state that again?

Mr. Walsh.— My impression is that there are 51 steel vessels, 21 concrete barges, and, I think, 3 wooden barges; and 20 steamers have been contracted for, of which 6 have been delivered.

Mr. Dewalt.— What, in your judgment, if you have any judgment in the matter, is the value of those transportation facilities in the market?

Mr. Walsh.— Do you mean the physical value of the property?

Mr. Dewalt.— Yes.

Mr. Walsh.— I have not any idea.

Mr. Dewalt.— What is the percentage of those vessels as to the entire transportation facilities used on the canal?

Mr. Walsh.— That is, the actual value of the property itself?

Mr. Dewalt.— No; I will not ask that, because you do not seem to know. But, taking the total transportation facilities on the canal, what is the percentage of these vessels as compared with the total?

Mr. Walsh.— I should say one-fifth — that is, in boats.

Mr. Dewalt.— In boats?

Mr. Walsh.— Yes, sir.

Mr. Dewalt.— So that this represents, you say, one-fifth of the total transportation facilities used on this canal?

Mr. Walsh.— In boats; but not in capacity; the other boats are not as large; they can not carry as much freight as these boats.

Mr. Dewalt.— What would it represent in tonnage, in your judgment?

Mr. Walsh.— One-third, I should say.

Mr. Dewalt.— Then one-third of the tonnage on this canal under the present existing law would be under the surveillance of the Government, would it not?

Mr. Walsh.— The operation of the boats would; yes, sir.

Mr. Dewalt.— Yes. Now, if two-thirds of it remained with the public, and still remains with the public, I fail to see why, if there was an increase of rates, the public did not take the opportunity of using the canal?

Mr. Walsh.— The canal system of the State of New York, Mr. Congressman, was built as a competitive business proposition. Any man could build a boat and compete with you or with me or with anyone else. The purpose and intent of the canal was not to have it restricted by the operation of one unit, or one company, or one individual, that could have the rate-making power and make the others abide by it. It is absolutely as competitive as the highway, as competitive as Pennsylvania Avenue in this city, where one truckman can charge what he pleases and compete with any

other truckman. One bargeman on the New York State canal system can compete with any other bargeman; that is the fundamental idea of our canal system.

Now, with the Government in charge of one-third of the operating property, and with the right to charge what it pleases, and to sustain losses if it wishes to do so, or to make gains if it wishes to do so, private enterprise can not enter that field and operate successfully.

Mr. Dewalt.— Well, you say they have raised the rates instead of lowering them?

Mr. Walsh.— Yes, sir.

Mr. Dewalt.— And it seemed to me that that would be an incentive to private enterprise.

Mr. Walsh.— No, sir; that was to keep the trade off of the canal; they said that the purpose was not to allow the canal system to interfere with the earnings of the railroads. And that was not what we built our canals for.

Mr. Parker.— The canal system in New York State cost how many million dollars?

Mr. Walsh.— Since 1901 we have spent \$154,000,000 in improving our waterways system. We contemplate submitting a proposition to the people to spend the further sum of \$30,000,000; so that we will have \$200,000,000, probably, invested in our improvements within the next two years.

Mr. Parker.— What are the restrictions as to the use of the canal?

Mr. Walsh.— There are no restrictions.

Mr. Parker.— So far as tolls are concerned that canal is free to any man in the world, is it not?

Mr. Walsh.— Absolutely.

Mr. Parker.— At absolutely no expense to him?

Mr. Walsh.— None whatever.

Mr. Parker.— What is the average cost of upkeep of the canal in New York State in a year?

Mr. Walsh.— \$2,000,000.

Mr. Parker.— You are in an official position, and you have control of the canal, and you know about that matter?

Mr. Walsh.— Yes, sir.

Mr. Parker.— And you state that the annual cost of upkeep is about \$2,000,000?

Mr. Walsh.— Yes, sir.

Mr. Parker.— In other words, New York State contributes \$2,000,000 every year to maintaining a public highway?

Mr. Walsh.— Yes, sir.

Mr. Parker.— For anybody in the world that wants to use it?

Mr. Walsh.— Yes, sir; absolutely.

Mr. Parker.— With no toll?

Mr. Walsh.— None whatever.

Mr. Parker.— And when the Government took over the canal New York State paid its share of expenses toward building the boats, and also maintained the canal at the expense of the taxpayers of New York State, did it not?

Mr. Walsh.— Absolutely. New York offered the canal system of the State as a highway of traffic to relieve the freight congestion that then existed, or was supposed to exist, upon the railroads, and offered the free use of it to the Government, expecting that it would be used to capacity — and I told you the story of how much it was used.

Mr. Rayburn.— Mr. Chairman, let me see if I can get at just what you want. You claim that the State of New York has been damaged?

Mr. Walsh.— Yes, sir.

Mr. Rayburn.—And these questions about paying the Government so much for these boats are not a part of your argument?

Mr. Walsh.—No.

Mr. Rayburn.—Your contention is this: That the Government should turn over to the State of New York all the Government-owned boats and barges on that canal?

Mr. Walsh.—Yes, sir.

Mr. Rayburn.—And the State of New York would turn them over to whoever they pleased?

Mr. Walsh.—Yes, sir.

Mr. Rayburn.—And that the proceeds thereof shall belong to the State of New York?

Mr. Walsh.—That is only a suggestion of mine. I made that statement before the Senate Commerce Committee, claiming that it would be only part compensation for the injury inflicted upon us by the Government control of the canal. Now, that is a matter for the committee to decide.

Mr. Rayburn.—Of course, it is a matter for the committee to decide; but I wanted to get in a few words your argument; that is your argument, is it?

Mr. Walsh.—Yes; that is my argument.

Mr. Parker.—But that is not what is in this resolution.

Mr. Walsh.—No.

Mr. Sanders of Louisiana.—One other question: If the State of New York collects no tolls on this canal at all — and I understand that it is an absolutely free canal — then it makes no difference to the State of New York whether one ton of freight is hauled over that canal or a million tons, because the State gets no return from it.

Mr. Walsh.—It makes every difference in the world.

Mr. Sanders of Louisiana.—It makes no difference to the treasury of the State, does it?

Mr. Walsh.—Yes.

Mr. Sanders of Louisiana.—How?

Mr. Walsh.—Every pound of freight shipped by canal has an earning capacity, and the money is spent in the State of New York.

Mr. Sanders of Louisiana.—I am not talking about the people of the State of New York; I am talking about the treasury of the State of New York.

Mr. Walsh.—Well, that money simply goes around the wheel and gets back to the treasury, part of it, and taxes are paid to the State out of it.

Mr. Sanders of Louisiana.—But if the State of New York charges no tolls for the use of the canal — and I understand that it does not — and it costs the State of New York \$2,000,000 a year to keep the canal up, that \$2,000,000 comes out of the treasury of the State of New York, does it not?

Mr. Walsh.—Yes.

Mr. Sanders of Louisiana.—Now, there is nothing from the operation of the canal as a highway that goes into the treasury of the State of New York, is there?

Mr. Walsh.—Yes; it all goes in; it is not direct, of course; they do not make any direct charge.

Mr. Sanders of Louisiana.—Well, I mean there is nothing that goes direct to the treasury.

Mr. Walsh.—No, sir.

Mr. Sanders of Louisiana.—Therefore, I mean from a direct standpoint, in so far as the treasury of New York State is concerned, it makes no difference to the treasury of New York State how much traffic there is on the canal?

Mr. Walsh.—At one time the State of New York did charge tolls, but it does not any longer.

Mr. Sanders of Louisiana.— I understand that. Now, another question: While the Government built these barges, boats, and tugs, and put them on the canal, it did not bar anybody else from using the canal if they saw fit to do so, did it? Now, as a matter of law, anybody could use the canal if they saw fit to do so?

Mr. Walsh.— Yes, sir.

Mr. Sanders of Louisiana.— Anybody could have used the canals under what was called the Federal control act?

Mr. Walsh.— It was not physically impossible, but it was financially impossible; it was impossible as a practical matter.

Mr. Sanders of Louisiana.— But it was physically and legally possible?

Mr. Walsh.— Yes.

Mr. Sanders of Louisiana.— Now, is it not physically and legally possible for them to use the canal now?

Mr. Walsh.— Yes, sir; it is physically and legally possible to use it now.

Mr. Sanders of Louisiana.— And they are using it to the extent of two-thirds?

Mr. Walsh.— No, sir.

Mr. Sanders of Louisiana.— Well, you said two-thirds of the business was privately owned.

Mr. Walsh.— I beg your pardon. These gentlemen asked me how many canal boats were there; those boats are not operating on our canal system to-day.

Mr. Sanders of Louisiana.— They are not operating?

Mr. Walsh.— No, sir.

Mr. Sanders of Louisiana.— And yet the rates for the hauling of tonnage are greater now than they were before the war?

Mr. Walsh.— Yes, sir. But they are going over to Philadelphia and Baltimore, where they can run without being interfered with by Federal control.

Mr. Sanders of Louisiana.— You really believe that under this resolution, from line 10 to the end, it restricts the purchasers of the Government's equipment to those who are going to use it upon that canal in New York, do you not? Because that is the verbiage of it.

Mr. Walsh.— It reads as follows, beginning line 10:

The Secretary of War shall, within said 30 days, or as soon thereafter as practicable, dispose of all boats, barges, tugs, and other transportation facilities purchased or constructed for use upon the said canal, giving to proposed purchasers who intend to use the same upon the said canal the first opportunity to buy.

Yes; I do.

Mr. Sanders of Louisiana.— And pending the final disposition by sale, it goes on and says that the Secretary may lease the same to the people who are going to use them upon that canal.

Mr. Walsh.— Yes, sir.

Mr. Sanders of Louisiana.— Now, that of itself restricts the purchasing of this Government property to a certain class of people, does it not?

Mr. Walsh.— To people who would use it on the State canal system; yes.

Mr. Sanders of Louisiana.— But it does not really restrict it to any class of citizens except those who will use the equipment upon the canal, does it?

Mr. Walsh.— No; I can not say that it does.

Mr. Sanders of Louisiana.— Therefore, the greatest war profiteer in the land, whoever he may be — I am not attempting to name him — could buy these barges, could he not?

Mr. Walsh.— I presume he could.

Mr. Sanders of Louisiana.— And then he could sell them, could he not? They would be his property?

Mr. Walsh.— I presume he could.

Mr. Sims.— Are there not some of these canal boats that have been contracted for that have not yet been built ?

Mr. Walsh.— I beg your pardon.

Mr. Sims.— Are all the canal boats to be used on that canal that have been contracted for by the Government completed ? I mean, is the construction of all the boats finished ?

Mr. Walsh.— No, sir ; some of the steamers are not yet completed.

Mr. Sims.— Then, if I understand you correctly, you want the Government to go ahead and complete the construction of those boats, and then sell those new boats under the provisions of this resolution ?

Mr. Walsh.— I do not ; no, sir.

Mr. Sims.— Would not the resolution cover those ?

Mr. Walsh.— Does it say, “boats under construction” ?

Mr. Sims.— It says all boats for use on the canal, wherever they are.

Mr. Walsh.— But boats that are not completed can not be used.

Mr. Sims.— But when they are completed, would you not under this resolution have the right to buy them for use on that canal ?

Mr. Walsh.— The resolution provides that the Secretary of War shall “dispose of all boats, barges, tugs, and other transportation facilities purchased or constructed.” Well, if they are constructed when this resolution takes effect, I would say yes ; but otherwise, no.

Mr. Sims.— What do you think of the propriety of taxing the people of the country in order for the Government to go ahead and carry out a war contract, and pay a high price under it, and then for the Government to be compelled to sell the property acquired under that contract to a limited class of purchasers at a low price ?

Mr. Walsh.— This contract was entered into after the armistice was signed.

The Chairman.— I will state that Gen. Hines is here, and he knows more about all of those details than anyone else, and he will make a statement about them.

Mr. Sims.— I did not know that.

The Chairman.— Yes; he can tell us about those details; and if there are no other questions we can hear Gen. Hines now.

Mr. Walsh.— May I ask, Mr. Chairman, that Mr. Hill, of the Chamber of Commerce of Buffalo, N. Y., be heard this morning?

The Chairman.— Yes; we would like to hear both Mr. Hill and Gen. Hines this morning.

STATEMENT OF MR. HENRY W. HILL, BUFFALO, N. Y., REPRESENTING BUFFALO CHAMBER OF COMMERCE.

Mr. Hill.— Mr. Chairman, the pending resolution authorizes the Secretary of War to "dispose of all the boats, barges, tugs, and other transportation facilities purchased or constructed for use upon the said canal, giving to proposed purchasers who intend to use the same upon the said canal the first opportunity to buy." That is simply a preference given to the purchaser in advance; but I assume that if the Secretary of War under this resolution received an offer that was very much higher than any offer received from the State of New York he might feel compelled to accept the higher offer. It gives those proposed purchasers who intend to use this equipment on the canal system of New York State a preference.

Now, what does that mean in law? I will give you an illustration: New York is selling the right of way of its old canal system. Cities along the line of the old canals and the abutting property owners are given a preferential right of purchase — an opportunity to buy the property first. If they do not bid, or if they do not bid as high as others, I do not suppose, as a matter of law, that the State government would be compelled to sell the property to such purchasers.

The superintendent of public works has gone into the matter very thoroughly. There is one thing, however, to which I wish to call the attention of the committee, and that is this: The freight rates over the railways and waterways were fixed by the Railroad Administration in the first year of its operation, at a rate so high — and they controlled it, by the way — that an effort was made to have such rates reduced and to have established a differential for water carriers below rail carriers, to such an extent as would induce shippers to use the waterways of the State.

The greatest differential that we were able to secure was 20 per cent, and that was not sufficient to overcome the terminal expenses that the railroads were not subjected to but canal shippers were subject to. The result was that canal tonnage fell off and the canal system was not used as extensively as it was generally expected it would be used. Now, all this time the State of New York was maintaining the waterways at an expense, as the superintendent of public works has told you, of approximately \$2,000,000 a year. In addition to that, it was paying interest on \$154,800,000 of outstanding bonds.

Mr. Walsh.— It was about \$160,000,000.

Mr. Hill.— And the rate of interest was about 4.5 per cent. The State of New York was losing its commerce because it could not use its waterways, as the rate fixed by the Railroad Administration were so high that it was cheaper to use the railways.

So our canal system, which, as the engineers who have examined the waterways all over the world say, is the finest canal system in the world, has been reduced to a point where it is almost useless. The people of the State, from one end to the other, the large manufacturing interests, the men who wanted to use the canal system during the war to get the munitions to the sea, were unable to do so; that the people who had paid their money to build these waterways were not able to use them. I mention that simply in amplification of what the superintendent of public works has said with reference to the justice of making some concession to the State of New York.

Under this resolution it seems to me that the Secretary of War, if a higher offer were made by outside people, might feel obliged

to accept such higher offer. I do not know how that language would be interpreted with reference to giving purchasers who intend to use the equipment upon the canals the first opportunity to buy. The Secretary of War might say that, for example, if the chairman of the committee were to offer for one these barges \$30,000, and I should offer only \$25,000, that I should be given the preference if I were going to use it on the New York canals. I can not tell what this language means.

But it would not be a very large donation for the Government to make if it were to give this entire equipment to the State of New York. It has cost the State of New York much more for the upkeep of the canals during the years of Federal operation than the equipment is worth, and the thousands of other taxpayers in our State have not had any substantial indirect returns from their investment.

I would like to see the waterways of the country improved as far as they may be improved. Hitherto New York has never had any assistance whatever from the Government in building its artificial waterways. It applied to the Government in 1812, in 1814 and 1816, and subsequently for Federal aid to build its canal system. Two or three States were in favor of making some contribution toward the construction of the canal system in New York. But the Government did not contribute a penny; it never has contributed anything. And the system has been built up at the expense of the State, and it has been operated at the expense of the State, and since 1882 there have been no tolls, and you gentlemen from the West have been as free to use our canals as we have been in New York. There have been no expenses even for the hauling of boats through the locks; everything is free. It is a free highway for the public.

The Chamber of Commerce of Buffalo, which I represent, is very desirous that you adopt, first, the first 10 lines of this resolution, and we want you to be as generous as you can with reference to the disposition of the equipment on account of the serious situation which confronts us. It would be unfortunate — exceedingly so — if these vessels were to be taken away from the State of New York.

And let me say, Mr. Chairman, that you will feel it in your State as much as we will feel it in our State if we do not have the equipment, and it is impossible to get a new or another equipment in time to move the cereals from the West within the next six months; we can not do it. And you know that there is a congestion all through the West of grains awaiting transportation to the seaboard, and we can not promise the equipment within the time that intervenes between now and when new crops must be moved.

Mr. Sims.— Then we had better make the effective date of this resolution so far beyond the present as will permit the Government to maintain those boats there and move the crops.

Mr. Hill.— Now, we want to be fair to all parts of the country. These waterways are as useful for your people in the West as for us. We appreciate your trade. The matter must be seriously considered, however, because the volume of grain tonnage down the Great Lakes this fall may amount to 100,000,000 bushels, and that grain must be moved. Take away one-third of the carrying capacity of the New York canals and what will happen? There were 177 vessels loaded with grain at the port of Buffalo at the close of navigation two years ago. Much of that would have gone by water to the sea at very low rates had canal equipment in the months of October and November been adequate to carry it and had that grain been routed via canal. Unfortunately, the grain was routed by rail. I do not want to say any more about that; it was routed by rail. I saw the gentleman in charge of it, and I asked him, "Why not route that grain by water?" You know the reason why they thought it unwise to send grain by water and why they sent it by rail.

Furthermore, during the war time it was absolutely impossible to get materials to increase the equipment; that was another reason why the State equipment is now inadequate to handle the traffic. Another reason was that capital was not available for investment in a fleet of boats to compete with the Federal governmental operation; therefore, we are without adequate equipment to-day, unless we have the governmental equipment. We need it.

We trust that you will give due consideration to all these matters and be as generous as you can under the circumstances, bearing in mind that you are going to help yourselves quite as much as you are going to help New York State.

And we would rather contribute, if necessary, toward equipping Black Warrior and other rivers with the necessary vessels than to lose the New York Canal equipment, which is necessary to move the crops this fall. We would rather contribute toward building up other fleets for use on other rivers in this country than to lose the vessels the Federal Government built expressly for New York Barge Canal service. As the superintendent has told you, such vessels are more suitable for use on the New York canals than elsewhere. The crops of last year and this year must be moved, and how will that be done if you permit the New York Canal equipment to pass into the hands of purchasers outside the State? If this equipment be disposed of elsewhere than to those who use the vessels on the New York Canal system, you can see what the result will be.

And we hope that you will at least report the first 10 lines of the resolution; and if you can reach the conclusion that the Senate committee reached and give New York Canal operators the preference in the purchase of the equipment, it will be to the interest of the whole country. Just what that preference means, I must leave to the lawyers of the committee to decide.

Mr. Denison.—What do you think it ought to be? We do not want to leave it in doubt.

Mr. Hill.—Well, I do not want to have the resolution amended, because it is too late for its passage again through the Senate. I would rather let it go through the way it is, and let the Secretary of War use his own good judgment as to what it does mean. But if it is going to be amended, as the Congressman suggested, in any way with reference to the fixing of the time that it becomes effective, the time ought not to be fixed so as to deprive the State of the use of the fleet of vessels this year.

Mr. Sims.—Then, instead of saying within 30 days after the passage of this resolution, it would be amended to provide "After the 30th of June, 1921."

Mr. Hill.—That would leave the control in the Secretary of War in the meantime. We urge that the canal system be released from Government operation immediately in order that private capital may be provided for additional equipment. With regard to the sale of the equipment, you gentlemen will determine that as you think best.

Mr. Sims.—Would your State commission fix the rate?

Mr. Hill.—Our State commission would not fix the rate, except in the case of joint rail and water carriage. We have no trouble about the rates. If you had a fleet of vessels operating from the Great Lakes to the sea, and Congressman Parker had another fleet of vessels, and I had grain to send from the West to the seaboard, I would confer with both of you gentlemen; and whichever one would give me the better rates would get my business. There is no fixation of rates; it is a matter of competition; there are not any hard and fast rules; it is a matter of competition which has heretofore worked out satisfactorily.

Let me say this, that if this New York canal system can be properly equipped, it can handle the grain from the Great Lakes to the sea—all that can be carried over any waterway. It can be carried at a rate so low that it will be a great saving to the producers of the West. As the Interstate Commerce Commission has said on other occasions, the rate on boats from the Great Lakes via the Erie Canal to the sea controls the entire freight-rate structure east of the Mississippi River.

Mr. Dewalt.—May I ask a question? I want to put a suppositious case to you. It is clear to me, from a reading of this latter clause in the resolution, that the opportunity of purchase is limited to those who intend to use the facilities upon the canal; that is, to use these barges and vessels upon the New York State Canal?

Mr. Hill (interposing).—Well, right there, before you complete your question — “the first opportunity.”

Mr. Dewalt.—The first opportunity; I understand. Therefore in that sense it is restricted and limited to those who intend

to use the barges upon this canal. Now, in this same clause, on page 2 of the resolution, there is a provision for arbitration, and that contemplates that if the Secretary of War and the proposed purchaser can not agree with respect to the price, then they should appoint arbitrators. Now, let me put this question to you:

Let us suppose that the chairman, Mr. Esch, and Governor Sanders are both parties who intend to use these transportation facilities upon this canal. Mr. Esch bids \$1,000,000; Mr. Sanders bids \$1,250,000. Now, how do you construe this resolution? Does it give the opportunity to the Secretary of War, regardless of the amount that is bid by these two individuals, to select at his will either one of them? Or is he confined to the highest bidder, both of them intending to use these barges on this canal? If you say that he is confined to the highest bidder, then I should have to say that I do not believe that is true, because this clause provided for arbitration is included.

Mr. Hill.— That is it.

Mr. Dewalt.— And therefore I construe that to mean just this, that the Secretary of War could, as between two competing bidders who intended to use these transportation facilities upon this canal, select either one of these individuals, regardless of the amount of their bid; and then if Mr. Esch, who was the lowest bidder, received the kindly attention of the Secretary of War, and he did not agree finally to the bid that he had proposed, then he could say, "I will have to arbitrate," and Mr. Sanders with his bid of \$1,250,000, would be left out of it.

Now, if you as a lawyer or as the proposer of this resolution, consider that that is good business, I, at least, as a lawyer would have to differ with you.

Mr. Hill.— I think that your question is apropos. I do not think that the Secretary of War would be obliged to accept either bid. He might conclude that neither bid was high enough. In that event he might not accept either bid. He might conclude that better terms could be had on another offer. I do not understand that the Secretary of War would be compelled to sell at the first offer to the original bidders.

Mr. Dewalt.— No; but that is the object of your resolution, to make him sell. But if you go so far as to say that he is not obliged to sell, then the purpose of all that part of the resolution fails.

Mr. Hill.— Now, suppose I should come in and offer a million and a half dollars for the boats after the other two offers had been received, do you imagine that the Secretary of War would accept either of the first offers made?

Mr. Dewalt.— I do not know what he would or would not do; but I do not want to give him the chance to do what I have described.

Mr. Hill.— Well, you must vest discretionary power in some official and I suppose the framers of this resolution came to the conclusion that the Secretary of War was the proper person to exercise that power. If he thought a bid was not adequate, very likely he would suggest an arbitration.

Mr. Dewalt.— But why arbitrate, when he has got a bid of \$1,250,000 —

Mr. Hill (interposing).— Well, I do not think for a moment that the smaller bid would be accepted. What I am thinking of is the highest bid might not be high enough, that is under the “first opportunity” to purchase, and then there would follow other offers under a second or third opportunity. My friend from the West might feel inclined to raise the bid to \$2,000,000 for the equipment.

Mr. Denison.— If you were a business man wanting the property, would you not rather have the last opportunity to buy it, rather than the first one?

Mr. Hill.— Yes.

Mr. Denison.— Then, you are accomplishing nothing by this provision of the bill.

Mr. Hill.— But if I were Secretary of War and did not receive the right kind of bid at first, I would readvertise the property in

the hope of obtaining a better offer, or if I were offered a million and a half for the equipment and I did not consider that large enough, I would say let us arbitrate.

Mr. Sims.—But some one on the Black Warrior might offer \$3,000,000 for the boats.

Mr. Hill.—Well, on the first opportunity to purchase, it must be certified that the equipment is to be used on the New York State canals. But if there be no sale what about the next opportunity and the third opportunity, or suppose the Secretary of War turns down the proposition entirely and says that he is not prepared to sell the equipment for the price offered. The resolution does not specifically require him to sell nor does it provide that there shall not be a second opportunity for purchasers to buy.

Mr. Rayburn.—Well, the second opportunity would still be under the language of this bill; he would still have to sell it to somebody who would operate the equipment on the New York canals.

Mr. Hill.—I do not agree with you in that respect. The resolution reads, in that regard, at the first opportunity and does not state that the Secretary of War thereafter would be obliged to sell only to those who will use the equipment on the New York canals.

Mr. Sanders of Louisiana.—Well, why sell it at all? Why not permit you gentlemen to use these barges this season and lease the barges for the season?

Mr. Hill.—That is a timely suggestion. Why not allow the State to take over the equipment for a nominal consideration for a period of one or more years?

Mr. Sanders of Louisiana.—I am willing to do that for one year. Do you think that would be a solution of it to let the barges stay there for a year and let the Government retain the operation?

Mr. Hill.—We desire that the operation be under the State, under the control of the superintendent of public works.

Mr. Walsh.— Pardon me; I do not think that would be constitutional; I do not think the State can operate the barges.

Mr. Hill.— It might not be constitutional for the State to operate the barges, but it could lease them to others for operation under State regulation. Some plan can be worked out to that end, if the barges are not to be disposed of at the present time.

Mr. Walsh.— Mr. Chairman, I should like to introduce one other witness before the committee adjourns this morning.

The Chairman.— That would mean that General Hines could not appear this morning. I suggest that we hear General Hines first.

We thank Mr. Walsh, the Superintendent of Public Works, and Senator Hill for their testimony.

Gen. Hines, the committee will hear you now.

STATEMENT OF BRIGADIER GENERAL FRANK T. HINES, CHIEF OF
THE TRANSPORTATION SERVICE, WAR DEPARTMENT

General Hines.— Mr. Chairman, and gentlemen of the committee, I will not detain you very long with the War Department's presentation of this case.

I will first explain to the committee just how the War Department happens to be in the barge-canal business on the New York Canal, and also call the attention of the committee to what, in our opinion, is a very important matter connected with this resolution:

Congress, in the passage of the Transportation Act of 1920, went on record in this language with reference to the inland waterways:

It is hereby declared to be the policy of Congress to promote, encourage, and develop water transportation service and facilities in connection with the commerce of the United States, and to foster and preserve in full vigor both rail and water transportation.

In the same act, section 201, it is provided that on the termination of Federal control certain equipment which the Government had procured, by purchase or construction— some in the course

of construction and some already constructed — should be turned over to the Secretary of War. It went further than that; it provided that the Secretary of War should operate, or cause to be operated, this equipment. I would like to read the language into the record:

On the termination of Federal control, all boats, barges, tugs, and other transportation facilities on the inland canals and coastwise waterways, acquired by the United States in pursuance of the fourth paragraph of section 6 of the Federal control act are transferred to the Secretary of War, who shall operate or cause to be operated, all such transportation facilities, so that the lines of inland water transportation established by or through the President during Federal control shall be continued.

The Secretary of War took upon himself those duties. They were outlined to us by Congress; and we are going ahead carrying them out as best we can, what we interpret to be the wish of Congress.

Of course, inland waterways in any section of the country can not be made a success unless the community where they are being operated is willing to co-operate in the operation. There is no desire on the part of the War Department to operate a barge line on the New York Canal, if the State of New York and the community there is opposed to it. That is one thing, however, Mr. Chairman.

But when it comes to the transfer of Government property and equipment which can be used elsewhere on inland waterways, where the people have a different attitude, and where, instead of urging the War Department to go out of business, they are urging us to facilitate water transportation and urging us to get into operation more equipment to take care of the traffic that is there to be moved, that is a different thing.

So that this resolution, in our opinion, Mr. Chairman, means two things: If the State of New York does not desire the War Department to operate this canal, and Congress is of the same opinion, they can readily stop it.

It is our opinion, however, and the Secretary has gone on record — as I will show by reading into the record shortly a letter from him — to the effect that we believe that Federal operations on the New York Canal at this time and during the next year will

be of great benefit to the people of the State of New York. They need those facilities. We have no desire to do anything else than to co-operate with them and do what they wish us to do.

Governmental operation is one thing, and an experiment in the development of inland waterways is another thing. The Government so far, in the operations of the New York Barge Canal, and on the Warrior River and the Mississippi, has not made money. We doubt whether any commercial concern, under the conditions under which the Federal Government undertook to develop this equipment or undertook to develop the inland waterways, could afford to stand the loss that the Government has stood. In other words, if the Government points out new types of equipment and new methods of operation which will prove that the inland waterways can and should be used, I believe that it has performed a most important function for the communities where these waterways exist.

I doubt very much whether the people of the State of New York are fully cognizant of the policy of the War Department with reference to its operations on the inland waterways. We have only had them a very short time. They were transferred to the War Department on March 1, 1920, on short notice, if you will remember the bill having been signed on February 28.

What went before — what the Railroad Administration failed to do in the operation of the Barge Canal we know nothing about, except what is disclosed in its reports. We do know that there is necessity for the intense operation of the New York Barge Canal to-day; and whether we operate it or somebody else operates it, it is absolutely necessary for the community that it shall be operated.

I did not understand that the Government control of the barge line on the New York Canal is injuring the State of New York. It is perfectly feasible for the State of New York to establish a toll if they desire a revenue. I understand that something like 790 privately owned craft are operating on that same canal.

For the information of the committee I would like to read this statement that I have, outlining the Government-owned equipment, which we only wish was available at this time to put in full operation; but only a part of it is available.

Contracted for and delivered, 51 steel barges, 150 by 20 by 12 feet, with an aggregate capacity of 650 tons each.

Twenty-one concrete barges, 150 by 20 by 12 feet, 600 tons capacity.

Contracted for, partly delivered, 20 self-propelled steel barges, 150 by 20 by 12 feet with a capacity of 550 tons and an indicated horsepower of 400.

Purchased from Government funds during the incumbency of the Railroad Administration, 3 barges, of 550 tons; 1 steel tug, of 100 horsepower; 2 other steel tugs, of 100 horsepower; 1 of 150 horsepower; and 1 of 85 horsepower.

As to the new equipment — new in design — whether it will prove to be of the best design or not remains to be seen. But of this new equipment, entirely new and developed under the Federal control, seven of the self-propelled steel barges have been delivered and six of them have been accepted to date.

This equipment, gentlemen, will cost the Government, when completed and outfitted, approximately \$4,600,000. The actual contract price of the equipment, without fittings and without any of the extras that have developed during the course of construction, amounts to \$4,482,347.61.

I am advised that something like 16,000,000 bushels of wheat are waiting at Buffalo to be moved. How urgently needed that wheat is you gentlemen know as well as I do. The equipment of that canal is insufficient for the traffic if it was all available at this time.

The Government operation on the canal is under the same control as any other private operation. The same act which turns these duties over to the Secretary of War placed the War Department's activities in that respect under the same agency. We have to go to the Interstate Commerce Commission and all other authorities interested with reference to any move that we make as a common carrier.

The War Department's operation of this enterprise is to be a business operation. We do not expect to charge off, or to charge against other appropriations, things that should be legitimately charged against the operations on this canal.

I was before the House Committee on Appropriations yesterday, and I stated to that committee that, since we took control of this enterprise not a cent had been appropriated to do what we had to do for the months of April and part of May. We had to use funds for other transportation of the army; but I went before the committee and showed what those operations cost, and asked them to appropriate money to cover them; and I stated at the same time that we expected to demonstrate whether it was feasible to conduct any barge line on any waterway and make it successful; and that this was the time to carry that out and give it a fair test. Heretofore, in the development of inland waterways, they have been unable to compete with railroads, because the railroads have not charged for services performed; the railroads to-day are willing to cooperate with the inland waterways, and have so stated, because they know that it will be necessary in this country to develop and utilize to the fullest extent all means of transportation.

In connection with the Government's relinquishment of operations on the New York Barge Canal, I would like to invite the attention of the committee to the danger of what has gone on in the past, of an enterprise of this kind falling into the hands of an individual, and then having that individual put out of business by the same agencies that have prevented the development of inland waterways in the past.

As I stated in the beginning, if the State of New York does not desire Government operation, and Congress concurs in that opinion, the War Department has no desire to continue it further. But we do feel at this time, when equipment is urgently needed on other waterways, that the Secretary of War should be allowed to use his discretion as to whether this equipment is disposed of or not, or whether it is transferred to where it can be used on other enterprises and on inland waterways where the people are interested in the development and are in accord with the War Department's operation of such facilities.

The Chairman.—In that connection, what can you say as to the practicability of using these barges or tows, for instance, on the Black Warrior river, or the Mississippi river, and also as to the feasibility of transferring over the open sea those concrete barges?

Gen. Hines.— I will say in answer to that Mr. Chairman, that on a large section of the Mississippi river, and of the Black Warrior river, this equipment can be used. I will say also, in answer to the question as to whether or not it can be safely moved to those waterways, that I have given instructions, only a few days ago, for a tug and a concrete barge, not built for those waterways, but built for other activities to be transferred from the harbor of New York to the harbor of New Orleans, in order to assist the inland waterways and the barge line operating on the Mississippi.

The Chairman (interposing).— Pardon me for interrupting; but it is 12 o'clock, and I have to be in the House; some of the members of the committee might be able to stay in order that you may conclude the hearing to-day. We have a hearing to-morrow morning on the subject of helium gas. We might be able to continue this hearing on Saturday morning.

Gen. Hines.— Mr. Chairman, I would be glad to return at some other time, if the committee desires to adjourn at this time. But we feel that this is of so great importance at this time, not only in connection with the New York State Canal, but as a national problem and policy with regard to inland waterways generally, that I would like to make the entire situation clear and to go into further details and give the position of the department with regard to it.

The Chairman.— Then we will continue the hearing Saturday morning at 10 o'clock.

(Thereupon, at 12 o'clock noon, the committee adjourned until Saturday, May 22, 1920, at 10 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,

HOUSE OF REPRESENTATIVES,

WASHINGTON, D. C., *May 22, 1920.*

The committee assembled at 10:15 o'clock a. m., Hon. John J. Esch (chairman), presiding.

The Chairman.— We will continue the hearing this morning on Senate joint resolution 161, regarding the New York Barge Canal. Representative Dyer, of Missouri, wishes to address the committee for a few minutes.

Mr. Dyer, the committee will hear you now.

STATEMENT OF HON. LEONIDAS C. DYER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MISSOURI.

Mr. Dyer.— Mr. Chairman and gentlemen of the committee, I do not expect or intend, on account of another engagement in my own committee, to enter into any argument at length with reference to this matter. I want to call to the attention of the committee in a few words the seriousness of this resolution, as we of St. Louis view it.

You gentlemen, most of you, or, at least, many of you on the committee, realize that the opportunity of the great Middle West and of St. Louis, the chief city of the Middle West, to take an active part in, not only in the development of the great Southwest, but of the foreign trade of the United States, lies in large measure in the opportunities to make use of the Mississippi river. Years ago the Mississippi river was used to a great extent in the transportation of commerce. In the last few years, due to the assistance given to St. Louis and to us of the Mississippi Valley by legislation which passed through this committee, the Secretary of War has been permitted to render us assistance in the use of barges, etc., we have been building up a big business in transportation upon the Mississippi river.

The city of St. Louis has entered into a scheme to build docks and terminals. One very large dock is now completed at great expense to the city of St. Louis, and we have a scheme or a plan there to build others and to make of the Mississippi river one of the greatest transportation routes in this country.

We realize there — and you gentlemen on account of your connection with this committee are acquainted with the conditions through that great section — that we must have this assistance of the Government, at least for the time being, in order to develop that fully. We have splendid assistance from the Secretary of War with reference to these barges.

This resolution proposes to do away with equipment that is now used on the Erie Canal and to dispose of it. If the people of that section do not desire the assistance of the Government with respect to that canal —

Mr. Jones (interposing).— You mean the barge canal?

Mr. Dyer.— Yes.

Mr. Jones.— There are several canals there.

Mr. Dyer.— Yes. We would like very much to have the Secretary of War given the authority to loan some of that equipment which we can use to advantage upon the Mississippi river, and to permit it to be sold and disposed of would hamper us in the opportunity which we wish to take advantage of.

We want the assistance of this committee, and we want the assistance of the Congress and of the Government to help us to continue to develop the great trade which is now going on there. We are not able now, with the vast trade that is all ready at our doors, to take care of it because of the lack of equipment. We are going to show to you and to the country, if you will stand by us as you have in the past few years, that the Mississippi river is one of the greatest highways of commerce in the country.

We are looking forward, Mr. Chairman, and have already had some success in that respect, to participating in the great trade of the Orient, because of the location of St. Louis, because of the Mississippi river, and because of the facilities now at New Orleans for unloading barges and loading goods upon those ocean-going steamers; we are taking advantage of the great opportunity now developing, which is vaster than any we have ever seen, to build up a great commerce with China. St. Louis is the nearest manufacturing city in the United States to China; and with the all-water route which we can take advantage of, if the Government can continue to render us assistance and give us more, such as we need, in the equipment you will help us in the Mississippi Valley to make this one of the greatest trades with any country in the world. China is to-day one of the greatest fields for trade with this country that there is in the world. Our opportunities for trade with Europe, which we have had so much of in the past few

years, is diminishing and will be practically nothing in a short time. If we are to have foreign trade, we are compelled to look to China.

We are a great manufacturing city. I will not take the time of this committee to call your attention to the many things which we manufacture there, which we are now sending to China. And if we can have the route and the transportation facilities which we hope for and pray for, through the assistance of the Government, we will make that, Mr. Chairman, one of the greatest trades that this country has ever seen.

China is teeming now with industries. Other countries are going in there for the purpose of getting the major portion of the trade of China. This country is already at a disadvantage in trading with China. The committee of which I have the honor to be a member, the Committee on the Judiciary, is considering legislation in order that we might give to the people of this country an equal opportunity with the people of England and Japan and other countries in the trade with China.

For instance, under the laws of those countries, corporations are permitted to organize to do business in China without paying any tax at all, except the regular corporation tax fees. We in this country are not permitted at the present time to do that, but companies that are organized by American capital to do business there are subject to all the taxes, income tax, excess-profits tax, and so on, of corporations.

We are trying in the Committee on the Judiciary to equalize the conditions of this country with those of Great Britain. And with that assistance which we hope to be able to render, and with the continued assistance of this committee, which we hope you gentlemen will give us in the consideration of this resolution, we will put America upon the map, so far as trade with China is concerned.

In fact, Mr. Chairman, the matter is of so vast importance that I personally, in connection with the consideration of this legislation in our committee, have received communications from chambers of commerce in the United States, from foreign trade associations in the United States, from the chamber of commerce at

Shanghai, and from business men in China, telling us that we are letting slip away from us the opportunities of a nation's lifetime in the great opening up of business in China, because of our inability to give to American capital and American people the same consideration which is given by Great Britain and Japan and Germany to the business interests of those countries.

And if we are denied the opportunity of river transportation; if the Government does not stand by us; if the Secretary of War is hampered in his desire to help us out, as I am sure he sees the absolute necessity of furnishing us barges and facilities, then, gentlemen, you are taking away from us an opportunity to develop the great Middle West and the great Mississippi Valley and to assist in the development of foreign trade and commerce.

The inland cities need the assistance of the Government in these matters. The Mississippi River must be and continue to be, more than ever it has in its history, a vast avenue of commerce, as I have endeavored to call to your attention.

We feel this so seriously gentlemen, that I wish I were able to impress upon you how important it is. I am going myself, if my work here in Congress will permit and the opportunity can be had, to China this summer to see the real conditions there, for the purpose of bringing information to the business men of this country as to just what is needed in order to be able to cope with that great trade. England is gobbling it up right along, and other countries are doing the same thing. Companies were organized under British charters, because we had no authority in this Government, under the laws of the United States, to grant charters to Americans to do business in China. Great Britain has had such laws, and Americans have taken advantage of them. And now Great Britain, in order to take complete control as far as it can of the trade in China, has issued an order that compels Americans to sever their connections with those corporations. In other words, only those who are citizens of Great Britain are permitted to be officers and managers of those corporations. Americans have gone in there for the purpose of helping to develop the trade of China in the interests of this country; and because no law in this country gives them an opportunity to take out charters, they have had to

operate under those of Great Britain; and now Great Britain compels every American official to sever his connection with those companies in order that his place may be taken by a citizen of Great Britain.

Gentlemen, we want your assistance to help us to develop the great trade of China. We want you to help us in the great Middle West; we want you to help us upon this important question of river transportation for the Mississippi River and for the people of the Mississippi Valley. I beg you in your deliberations and considerations of this resolution to keep that matter before you, and to do nothing that will prevent the Secretary of War from giving us the assistance that you have already authorized him to give us, and that you will permit him to let us have a large part of this equipment which we need so badly.

I thank you, Mr. Chairman.

COMMUNICATION FROM HON. MURRAY HULBERT.

The Chairman.—I have received a communication from Hon. Murray Hulbert, commissioner of docks of the city of New York, which he desires to have incorporated in the record of the hearing

It is as follows:

CITY OF NEW YORK, DEPARTMENT OF DOCKS,
Pier A, North River, May 19, 1920.

Hon. JOHN JACOB ESCH,

*Chairman Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.*

MY DEAR CONGRESSMAN: It was my intention to appear to-morrow before your committee in support of the Wadsworth resolution to amend the Esch bill.

I do not know that I can add anything to my statement before the Senate committee, but I do want to reiterate that the people of the State of New York have invested an enormous sum — \$154,000,000 — in their State barge canal system, and they ought to be allowed to develop its commerce unhampered by Federal restriction.

It seems inconceivable, that the War Department would operate a fleet of barges in peace times for commercial profit, and so long as they do it will deter any substantial investment by private capital.

May I suggest that the Government-owned vessels be turned over to the State and chartered for operation by the superintendent of public works?

Very truly yours,

MURRAY HULBERT.

Commissioner of Docks.

STATEMENT OF BRIG. GEN. FRANK T. HINES, CHIEF OF THE
TRANSPORTATION SERVICE, WAR DEPARTMENT — RESUMED.

Gen. Hines.— Mr. Chairman and gentlemen, I will now proceed and continue the statement that I was making when the committee last adjourned.

Soon after the activities of the inland waterways were turned over to the War Department I had occasion to appear before the convention of the Mississippi Valley Waterways Association. At that convention I was authorized by the Secretary of War to present an outline of the policy of the Government with reference to the operation of the inland waterways.

In that statement the War Department outlined what, in my opinion, was of vital importance in connection with the future policy as to inland waterways. It was substantially to this effect: That if the Government in its operations on the inland waterways could show conclusively that such operations were feasible and could be made a success and point out new methods of operation and new types of equipment—in other words, point the way in which these waterways could be utilized successfully—the Government would then have performed a most important function. It would then have demonstrated that the waterways could be operated successfully, and no doubt private capital would be forthcoming to take part in these operations.

We stated at that time, and I would like to repeat here again this morning, that it is better to look upon Government operation as Government cooperation; that when the time is reached when Government operation on any inland waterway is restricting commercial development or is interfering with commercial interests, generally, of that community, we will then have reached a point where Government operation should cease and the operations should be taken up by commercial concerns.

In connection with the Government relinquishing its operations on the New York Canal, I hope that the committee will consider the fact that we have just opened up the operations for this year, commencing on May 15. Like every commercial concern, we have commitments which extend one and two months ahead.

This resolution directs the Secretary of War to cease operations immediately and to turn over the floating equipment, under certain stipulations, within 30 days and dispose of it.

That would not only interfere greatly with the War Department's operation and complicate matters so far as the War Department is concerned, but it would greatly interfere with the movement of commodities, which would result in loss to the shippers and would result in confusion and loss, undoubtedly, to the citizens of the great State of New York.

I am not sure if the gentlemen who are urging this resolution have stated to the committee that they are prepared to commence operations immediately; but I doubt very much if they are. No information has been presented to the department which indicates that any agency is now prepared to take over these operations, or that they have an organization prepared to take over this equipment and operate it. So I am sure that it would not prove to the interests of the citizens or the commercial interests generally for so much of the resolution as covers this phase to become a law.

Another thing: A great part of this equipment is in the course of construction; it will probably require six months, which is the better part of an operating season on the canal, for that equipment to be completed. So that, no matter what your conclusions may be, it would seem to me to be the part of wisdom that, if you conclude that operations on this canal should cease so far as the Government is concerned, and that we should dispose of this equipment, you should consider whether it would not be well to put the date upon which such resolution is to become effective at a time at least a year from now, or until the close of next season.

There can be no doubt, Mr. Chairman and gentlemen of the committee, but what this equipment can be utilized and is badly needed on other waterways. I have looked into the question of draft carefully, and desire to introduce into the record, if the committee will so permit, a statement which shows the draft of these barges, their loaded capacity at several drafts, and their efficiency.

(The statement referred to is as follows:)

	Steel cargo barges loaded to—			Concrete cargo barges loaded to—		
	9 feet 6 inches	8 feet 6 in. hes	8 feet	9 feet 6 inches	8 feet 6 inches	8 feet
Total displacement, in short tons	780.64	692.16	646.80	857.00	760.00	715.00
Cargo, in short tons.....	642.53	555.00	510.00	520.00	428.00	378.00
Efficiency, as expressed in percentages of cargo to total displacement.....	82.30	80.18	78.80	60.67	56.30	52.70

1. The project depth of the canal is uniform throughout at 12 feet. This, if maintained, would enable safe loading of all barges to 9 feet 6 inches draft.

2. Owing to available depths that prevailed last season, loading was limited to 8 feet 6 inches for steel barges and to 8 feet for concrete.

3. The table shows, approximately, the extent to which the efficiencies of the barges were reduced on account of condition stated in (2).

4. The measure of the loss of income to the operating department, estimated on basis of \$3 per ton for cargo, is approximately: For steel barges, \$262.50 per barge, or \$787.50 per tow of three barges; for concrete barges, \$426 per barge, or \$1,278 per tow of three barges.

Gen. Hines.—A study of this statement indicates beyond a doubt that the barges can not only be used on the Warrior River and on the Mississippi River, but that they are badly needed there, as I stated to the committee before.

In making that statement to the committee I want to qualify it with the remark that good policy would justify that this equipment be used for the canal for which it was constructed; but it does seem that consideration should be given to the other projects where equipment is needed and where traffic is now waiting to be moved for lack of equipment, when it comes to a question of the Government disposal of any of this equipment at less than what it cost.

Mr. Chairman, if I may, I would like to introduce at this point a statement which I have and which I will not bore the committee by reading, unless it so desires. It indicates that the draft on the Warrior River throughout the season would give us practically the whole length of the stream, a draft as great as loaded draft, which would enable the operation of these barges at 80 per cent of their efficiency at all seasons.

The Chairman.—On the Black Warrior River?

Gen. Hines.—On the Black Warrior. On the Mississippi River, as far as we would desire to operate them, they could be operated practically the entire season. I have here a statement giving all the details as to the operation, etc., on those rivers; it is quite voluminous, but it can be placed in the record if the committee desires.

The Chairman.—I think we had better have a statement of the operation in the record.

(The statement referred to is as follows:)

MISSISSIPPI RIVER.

The report of the committee of inland waterways to the Director General of Railroads, dated April 5, 1918, called for the following:

	Tons
Fleet capacity	100,000
The result during the first year of operation with the temporary fleet was	1 10,000
Performance: Freight to be carried annually by this fleet.....	1,080,000
The result during the first year of operation with the temporary fleet was	1100,594

The report of the committee anticipated that the loading would be as follows:

Downstream (per cent capacity of fleet).....	90
Upstream (per cent capacity of fleet).....	30

The results during the first year of operation were as follows:

Downstream:	Tons.
Dead-weight capacity of barges.....	72,550
Lading	63,698
87.8 per cent capacity of fleet.	

Upstream:

Dead-weight capacity of barges.....	53,820
Lading	28,482
52.7 per cent capacity of fleet.	

It is not to be understood that the barges really went south but 87.8 per cent loaded. The 87.8 per cent represents the dead-weight capacity. On rare occasions a merchandise barge was sent south before it was fully loaded in order to let a tow get away. Usually, however, the merchandise barges moved southward loaded to their full cubic capacity.

¹ Scant.

The report of the committee of inland waterways contemplated average earning of the line would be \$3.20 per ton.

During the first year of operation the average earnings were \$3.71 per ton.

The utilization of barges during the first year of operation was as follows:

Total barge days	8,541
Barge days in port	4,758
Barge days in motion	3,783
Percentage of time in motion	44.3

The delays in port were not the result of lack of business, but were from numerous causes inseparable from a new and incomplete operation, the principal of which were:

First. Infrequent sailings delaying some loaded barges in port each week awaiting regular departures.

Second. Lack of power to move loads.

Third. Lack of power to move empties.

Fourth. Lack of export terminals and transfer facilities in New Orleans harbor, necessitating the constant storage of export freight in barges.

Fifth. Lack of proper facilities at terminals at East St. Louis and New Orleans for the prompt transfer of through freight to rail connections, and delivery to local consignees, causing it to be held in barges.

Since the end of the first fiscal year a modern interchange terminal has been authorized for East St. Louis and is under construction.

At New Orleans 900 lineal feet of double-deck wharf at the United States Army supply base has been assigned to the barge line for use as an export and import terminal. These facilities will measurably increase its capacity to handle traffic.

The tows averaged throughout the year eight days downstream and eighteen days upstream. As there was a shortage of motive power all towboats had to be given more tonnage upstream than they were properly rated to carry. As a consequence the whole operation was slowed down.

This situation will improve as the new and stronger power is received. The new towboats are rated to make the trip down in 5 days and return in 12.

No joint rates were adopted until January 21, 1919, so that in the first six months of operations the traffic was confined to movement between strictly river points. Since the establishment of the first joint rates considerable extension of territories has been authorized. These authorities were not made available until the early part of November, 1919, and the mechanical work of publication was a matter of such magnitude that the tariffs did not become legally effective until the last half of December, 1919. By the establishment of joint interchange at Vicksburg with lines radiating from there, additional territory in Arkansas, Louisiana, and Mississippi has been opened up by tariffs made effective during the last half of February, 1920.

The facts as to the operations stated previously have to do with the first fiscal year ending with September, 1919. On page — will be found a tabula-

tion¹ showing the tonnage and earnings of the line for the calendar year ending December 31, 1919, separated as between local freight and through freight which moved on rates joint with the railroads.

Bearing in mind that only a small fragment of the territory covered by the joint rates shown in the accompanying rate maps¹ was available to the barge line during the year in question, it will be noted that the through business had assumed considerable proportions, indicating that the interior of the country which has for years been compelled to pay higher freight rates via the railroads, in order that the competition of the barge line might be destroyed, is now beginning to reap the benefits in savings in transportation costs from this barge service.

WARRIOR RIVER.

On the Warrior River six steel self-propelled deck barges for carrying coal were purchased from the Alabama & New Orleans Transportation Co. Three towboats and 25 wooden coal barges were purchased from coal companies and a transportation service limited at the beginning to coal was established between the Birmingham coal district and Mobile and New Orleans in December, 1919. Since then 25 additional wooden coal barges have been constructed and 1 towboat belonging to the United States Engineers has been chartered.

During the first year of operations, this fleet carried more than 100,000 tons of coal and the forwardings are increasing rapidly.

To the coal downstream has been added timber and steel for export. The line is also transporting from the plant of the United States Steel Corporation at Fairfield, Ala., the fabricated steel shapes for the ships which the corporation is building at their Chickasaw shipyard on Mobile Bay.

In December a substantial line of joint rates between Mobile and New Orleans and points in Alabama, Mississippi, and Georgia was published, but these rates were not put into effect in time to develop any business during the first calendar year of the line's operation.

The Chairman.—Would it be practicable to operate these boats on the upper Mississippi River?

Gen. Hines.—From St. Louis to —

The Chairman.—From St. Louis to Minneapolis?

Gen. Hines.—No, sir.

The Chairman.—Only as far as St. Louis?

Gen. Hines.—Only as far as St. Louis. I have another statement here, Mr. Chairman, which I would also like to submit, which will give you the information more in detail.

(The statement referred to is as follows:)

¹Not printed in this extract.

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, May 21, 1920.

Memorandum for Brig. Gen. Frank T. Hines, Chief Transportation Service.
Subject: Physical features of the lower Mississippi and Warrior Rivers.

In response to request in your memorandum, dated May 21, 1920, I take pleasure in replying to inquiries therein in the order indicated, as follows:

(a) The minimum depth of channel between St. Louis and the mouth of the Ohio River is 8 feet at low water, and from Cairo over a distance of 841 miles below, there is a good navigable channel at all stages, with a depth of 9 feet or more with a width of at least 250 feet.

(b) Stages of the Mississippi River for 1919 will be found in the accompanying pamphlet.

(c) The navigable depth of the Lake Borgne Canal is 7 feet, with a top width of 80 feet. It is provided with one lock having a length of 280 feet and a width of 40 feet.

(d) The smallest lock on the Warrior River is that at St. Stephens, Ala., 3 miles from Mobile, which has a length of 281.9 feet and a width of 52 feet. The depth over the miter sill is 6.5 feet.

(e) It is now practicable to carry tows 50 feet wide and loaded to a draft of 6 feet on the Warrior River to the full limits of the project, which extends to Sanders Ferry on the Mulberry Fork of the Black Warrior River and to Nichols Shoals on the Locust Fork of the same river, 443½ and 423½ miles, respectively, from Mobile.

(f) From Lock No. 1 to the mouth of the Tombigbee, a distance of 66 miles, the stream is tidal. The current on the nontidal portion is very sluggish at low water, but fairly rapid at high water, which usually occurs five months of the year, from December to May. The discharge at the mouth is 1,800 second-feet at mean low water. The fall per mile varies from about 2 inches on the lower part to nearly 2 feet on the upper portion. The extreme fluctuations of river stages are greater at Demopolis, Ala., than at any other point on the stream, an extreme variation of 72.6 feet between extreme low water and high water having occurred at that place. The ordinary fluctuations of this stream, **due to floods, vary at different portions, being about 45 feet on the central part and not over 10 feet at the lower and upper ends.** The works of improvement have reduced the amount of fluctuation at different points from 3 to 10 feet.

LANSING H. BEACH,
Major General, Chief of Engineers.

By G. B. PILLSBURY,
Colonel of Engineers.

Gen. Hines.—In connection with what I have suggested, I think it would be well if I outlined the situation on the Mississippi and Warrior Rivers as it exists at this time.

First, as to the business of the line: In 1919, 108,000 dead-weight tons of cargo were moved. That was about the limit with the equipment then available. The new fleet of barges will have a dead-weight carrying capacity of 1,500,000 tons, limited some-

what by the performance of the power, which can only be forecasted at this time. But it is hoped that at least 50 per cent of the capacity which I have stated would be available for upstream. If we go through with the purchase contract on certain vessels which we are now negotiating for — that is, vessels which are already built — we believe that we will be able to move, at least, until the new equipment comes, at the rate of 250,000 tons per annum. We are only barely touching the traffic that will come to the Mississippi River and the Warrior River, when all the through rates arranged with the railroads have become effective.

The adaptability of the New York canal equipment may be stated briefly as follows:

The steel barges are well suited to our uses in either or both rivers. The locks on the Warrior River are 52 by 200 feet, allowing these barges to be locked through two abreast.

On that stream we have a minimum of 8 feet through from Cordova and Birmingham to New Orleans.

The steel cargo barges, loaded to full capacity, or 9½ feet, have a cargo capacity of 642½ short tons. At the 80 per cent capacity which I mentioned, they draw 8 feet, approximately.

Now, mind you, that is mean low water, Mr. Chairman; there are seasons of the year when there is considerably more water, and they can pass over the dams.

The Chairman.—What would be the draft of those barges at 642 tons?

Gen. Hines.—Nine and one-half feet. The limitation is the height over the miter sills of the locks. During probably six months of the year we have a stage of water permitting us to go over the dams and not through the locks, permitting deeper loading below Lock 15, so, during that period we fill out with a deck loading of timber at Holt, dumping it off on the Mobile River, giving as deep a loading as the stage of the river warrants.

In the Mississippi River we can load to a depth of 8 feet throughout the year between St. Louis and New Orleans, but during at least nine months of the year the depth is unlimited as the gauge is never less than 20 feet at St. Louis and from that up to 40 and 50 feet at St. Louis, Cairo, Memphis, Natchez, Vicksburg, etc.

As to relative adaptability, it should always be remembered that there is but seven to eight months' operation in any season on the New York Barge Canal, while on the lower Mississippi River we have that many or more months each year in which there is no limit as to depth.

Also, I would like to remind the committee that these limitations are as to the dead-weight carrying capacity of these barges—in other words, full capacity. Their dimensions permit of loading 200 tons of general merchandise measuring 100 cubic feet per ton, a liberal estimate of the average cubic of the miscellaneous cargo we are carrying on the Mississippi River.

In other words, they can be completely loaded with a certain class of cargo and not be loaded to capacity at mean low water.

Six hundred and fifty tons of grain would put these barges down to their marks at around 10-foot draft and earn \$2.80 per ton from St. Louis to New Orleans.

Two hundred tons of merchandise would not submerge the barges below 6 feet and would earn something between \$7 and \$10 per ton.

We could load these barges with cotton to their full cubic capacity the year round from Memphis to New Orleans and earn \$5.40 per ton and return them to Memphis the year round loaded to their marks with sugar paying \$6 per ton.

The dead-weight carrying capacity is only a limitation where the traffic is such dead-weight commodities as grain, coal, ore, etc., and even as to those we have as long or longer season of possible operation, as on the New York State Barge Canal.

With regard to through operations we have at present in the fleets provided for our use on the two sections no equipment which can run through. Everything must transfer at New Orleans.

These barges (referring to the New York type of barges and the self-propelled barges, particularly); which are of the tight covered, hatch type, could be used in through traffic, as they could navigate Lake Borgne and Mississippi Sound without danger of damage to the craft or cargo.

The Southeast consumes large quantities of corn and flour for which St. Louis is the basing and distributing point.

In return, St. Louis is the largest single market for Birmingham pig iron.

In practical operation we would load these barges to their marks at St. Louis with corn and flour for New Orleans and the Southeast, lightening at New Orleans to 8 feet, and proceeding to Warrior River distribution points on that draft.

Returning we would load at Birmingham with pig iron for St. Louis and beyond to 8 feet, fill out at Holt with a deck load of timbers to put the barges to the marks whenever the lower river permits of loading to marks, discharge the timbers in Mobile River, proceed to New Orleans where we would again put the barges to marks with cubic freight such as sisal, coffee, rice, sugar, etc., for St. Louis and beyond.

These barges are not only feasible, but are urgently needed in this through trade, a traffic we have thus far been unable to serve for lack of equipment.

For the reasons stated, these towboats are peculiarly well adapted to augment the power of the fleet in the Warrior River.

We have there slack water navigation similar to operation in a canal. It is almost entirely a pool, bay, or sound operation without any appreciable current to contend with in either direction.

That is due, Mr. Chairman, as you gentlemen doubtless know, to a system of dams constructed at great cost to the Government on that river. I had an opportunity recently to go over the river, and the construction is excellent. The facilities there are available, and certainly it is to the best interests of the country that they be used to the uttermost, especially at this time, when every means of transportation is urgently needed in practically every community.

On the Mississippi River these barges, although not ideal, would be available for one character of traffic for which there is increasing clamor, for which no provision has been made in the existing fleet, and which we will have to ask Congress soon to provide the equipment, namely, local, or way-to-way business.

The present fleet is of large 2,000-ton barges, only capable of being properly used in the through business of large volume.

Our present operations only serve St. Louis, Memphis, Vicksburg and New Orleans. All through joint rates with railroads operate through these gateways. Here we load solid barges for these terminals and the much greater number of points served by railroads through these gateways. We have not the equipment at this time to carry the traffic offered to us.

The Chairman.—The tows on the Barge Canal are self-propelling, and at the same time are freight carriers?

Gen. Hines.—The type of tow boat for the New York Barge Canal is built to carry cargo, and also to tow other barges. On the Black Warrior River we have a self-propelled coal barge, a coal barge that carries cargo, but without a convoy. These barges go across the sound, through Lake Borgue Canal, to New Orleans, taking the coal directly from Cordova, on the Warrior River, down the Warrior and Tombigbee Rivers to Mobile, and thence across the sound to New Orleans.

In this connection I might mention that one of the most important factors I know of connected with the development of our merchant marine, and with providing for taking care of the South American trade, is the development of a coal terminal at Mobile, where vessels operating in that trade could obtain cheap bunkers. We have immediately available large quantities of coal along the Warrior River; and I know of no place where you can put coal to a seaboard port at less cost, when proper facilities for both loading and unloading have been developed. That is of vital importance at this time to the development of the South American trade, and especially that trade which would normally come into Mobile, or New Orleans, or other Gulf ports.

The Chairman.—Is the city of Mobile doing anything to provide such terminal facilities?

Gen. Hines.—They are, Mr. Chairman; they are intensely interested in it. They have a project which they will present to the War Department in the near future. I believe they contemplate requesting assistance from the Government, with a view to reimbursing the Government for the funds obtained. Just what

the plan is, I am not sure at this time. But I am sure that it is needed, and whatever assistance the Government can give should be extended, for the sake of our own commerce.

Mr. Dewalt.—In the course of your investigations have you inquired as to the dockage and wharfage facilities at the various ports from, say, St. Louis to New Orleans?

Gen. Hines.—Yes, sir.

Mr. Dewalt.—For this sort of traffic?

Gen. Hines.—Yes, sir; I have. And I will state to the committee that the terminal facilities are not good at most of those places at this time. St. Louis of her own accord is developing a splendid terminal, which is being used by the barge line free of cost to us at this time. At New Orleans, the other terminal for that line, the Government has one of the new army bases constructed during the war, and we have allotted space at that base to handle a great deal of the barge-line traffic at that end. In addition, the package freight is handled at one of the wharves controlled by the dock board at New Orleans.

Mr. Dewalt.—How is it at the intermediate points?

Gen. Hines.—At the intermediate points they have facilities, but they are not modern terminal facilities. We are developing those projects now in the hope that the communities themselves will take an interest in them, and I am sure that they will, with the possible assistance of the Government in the development of those terminals.

One of our great difficulties at this time is the handling of cargo at terminals between St. Louis and New Orleans. At St. Louis the terminal facilities are good, and with the addition of certain modern loading equipment and methods of loading at that terminal, it will be a good one. Considerable terminal developments will be required at East St. Louis; this terminal handles our joint rail and water traffic. St. Louis is our trackage or local freight terminal.

The same thing is true of our army terminal at New Orleans.

On the Warrior River the terminal at Cordova, where we load most of the coal, can be utilized, but it is not modern; it should be improved and brought up to date. The other end of the line at Mobile has dockage facilities, but I would not say that the terminal facilities are modern.

Mr. Dewalt.—Now, to reduce this to a concrete impression, with the diversion of these barges and these vessels from the New York canal system to the Mississippi River to be used, we will say, from St. Louis to New Orleans, putting on and discharging freight at intermediate points, would it be necessary to use lighters in the discharge of freight, or is the draft enough at these various points to accommodate these vessels; and are there dockage facilities at the present time sufficient for the use of these vessels, or would it require an enormous expense to accommodate these vessels in the way I have indicated?

Gen. Hines.—No, sir; they can be utilized with the facilities that we now have, without additional expense; but to obtain the greatest and most efficient operating results the terminals should be improved at certain points.

Mr. Chairman, I do not desire to burden the committee with reading the letter of the Secretary of War addressed to the chairman of this committee, unless you so desire; but I would like to ask that the letter be placed in the record.

The Chairman.—Very well; the letter will be inserted at this point.

(The letter referred to is as follows:)

WAR DEPARTMENT,
Washington, May 14, 1920.

Hon. JOHN J. ESCH,

*Chairman Committee on Foreign and Interstate Commerce,
House of Representatives.*

MY DEAR MR. ESCH: I have seen a copy of Senate joint resolution 161, which I understand has been recently passed in the Senate, and note that this resolution in its present form provides for the public sale of the barge equipment which the War Department is operating on the New York State Barge Canal.

On March 30 I had the honor to present to the Senate Committee on Interstate Commerce the position of the War Department with regard to this reso-

lution as originally introduced by Senator Wadsworth. At that time the resolution provided merely for the discontinuation of Government operations on the New York Canal. As a result of the deliberations of the Senate Committee on Interstate Commerce, however, this resolution was reported back to the Senate with an amendment which further provided for the sale of the Government barge equipment itself to private operators in New York State. The latter provision so materially changes the entire situation that I am taking the liberty of thus communicating with you in order that you may fully understand the position of the War Department when the legislation in question is referred to your committee for consideration.

The transportation act of 1920 delegated to the War Department certain specific duties in connection with the stimulation of inland-waterway traffic. It would be futile for me to attempt to review for the benefit of one so well informed on the national transportation situation as yourself the causes which led up to the adoption of the governmental waterways policy as set forth in unmistakable terms in this act. A mere statement of a policy, however, it was evidently realized would do little toward bringing about the practical development of waterway traffic for which there is to-day such a vital need. Congress therefore saw fit to not only outline a policy but to also provide a tangible and direct method for the attainment of the aims to which that policy was directed. The means which it adopted to this end was to assign to the War Department the practical work of developing more general waterway utilization. In order that the nature of the work involved may be clearly appreciated, I quote verbatim the following from section 509 of the transportation act:

"It shall be the duty of the Secretary of War, with the object of promoting, encouraging, and developing inland waterway transportation facilities in connection with the commerce of the United States, to investigate the appropriate types of boats suitable for different classes of such waterways; to investigate the subject of water terminals, both for inland waterway traffic and for through traffic by water and rail, including the necessary docks, warehouses, apparatus, equipment, and appliances in connection therewith, and also railroad spurs and switches connecting with such terminals, with a view to devising the types most appropriate for different locations and for the more expeditious and economical transfer or interchange of passengers or property between carriers by water and carriers by rail; to advise with communities, cities, and towns regarding the appropriate location of such terminals, and to cooperate with them in the preparation of plans for suitable terminal facilities; to investigate the existing status of water transportation upon the different inland waterways of the country, with a view to determining whether such waterways are being utilized to the extent of their capacity, and to what extent they are meeting the demands of traffic, and whether the water carriers utilizing such waterways are interchanging traffic with the railroads; and to investigate any other matter that may tend to promote and encourage inland water transportation. It shall also be the province and duty of the Secretary of War to compile, publish, and distribute, from time to time, such useful statistics, data, and information concerning transportation on inland waterways as he may deem to be of value to the commercial interests of the country."

The foregoing has been accepted by me in its most literal meaning. It has been my policy in administering the affairs of the War Department, particularly since the completion of the late demobilization, to endeavor to secure for the Army a wider range of industrial as well as military accomplishment. In the foregoing provisions of the transportation act I have seen a concrete opportunity for the accomplishment of a very important service to commerce at large, which seems to exactly parallel the aspirations of the new Army for a larger scope of peace-time utility. I have therefore enthusiastically initiated the necessary steps to carry this important undertaking to a successful conclusion.

Students of inland waterway transportation, of whom there are many inside as well as outside the War Department, have long been advocating the necessity for the establishment of a governmental agency qualified and authorized to make a comprehensive survey of the national waterway situation, more particularly from what might be called a practical operating point of view. National waterway development has in the past been greatly handicapped by the lack of such a comprehensive consideration of its purely traffic features, with the result that we are now forced to admit that many of the appropriations invested in localized waterway promotions have not paid anticipated dividends. Such expenditures have been not only a waste of public money, but at the same time have handicapped the development of those waterway projects which possess real merit, and to this end have acted as a deterrent to the healthy promotion of water-borne traffic as a whole. The section of the transportation act, to which I have referred, provides an ideal means for filling this long-felt need. If the War Department is permitted to continue on the program in which it is now engaged, it seems certain that the constructive development of national waterway transportation will receive a necessary impetus which could be secured in no other manner.

It will be my endeavor, and I have already directed definite steps toward that end, to prepare for the consideration of Congress accurate and disinterested data with regard to the traffic possibilities of various waterways, with particular regard to their utilization in connection with joint rail and water hauls, in a comprehensive manner which is in striking contrast to our previous largely sectional considerations of waterway transportation. Such data, when it is available, will be of inestimable value in connection with the intelligent consideration of future proposed waterway appropriations, and will also go far toward clarifying the present uncertainty as to the extent of profitable utilization of existing waterways.

This, though important, is but one phase of our undertaking. In my interpretation, the transportation act charges the War Department with not only analyzing the traffic possibilities of existing waterways, but also with determining and demonstrating the most economical methods for their utilization. The converging of these two distinct lines of endeavor will result, I am sure, in a much more intensive utilization of the waterway as a common carrier in the future than has been the case in the past, with a proportionate reduction in general transportation costs and relief of the railroads from some of the overwhelming burdens which they are to-day facing.

It is the latter phase of the operative development of waterway transport, a phase equally, if not more, important than the work of furthering the utilization of existing equipment and waterways, which the resolution now under

consideration particularly affects. To enable the practical execution of this work Congress has seen fit to turn over to the War Department the floating equipment acquired by the United States Railroad Administration for its waterway operations. It is my construction that these barges should be operated by the War Department from altogether different motives than they were by the Railroad Administration. The latter organization, having a number of waterways on which it wished to operate, but lacking sufficient floating equipment for their efficient utilization, contracted for the necessary barges and used such of them as it secured for the primary purpose of relieving the acute railroad congestion which we faced during the war. The War Department, on the other hand, is merely accepting this equipment which the Government already owns in lieu of the purchase of new equipment which would otherwise be necessary in the execution of its new duties in developing types of equipment and demonstrating the nature of services essential to successful waterway operation.

It has been considered advisable by the officials who are directly supervising this work for me to continue the operations of these barges in the services to which they were assigned on March 1, the effective date of the transportation act. The continuation of these identical services, as stated in my letter to the Senate Committee on Interstate Commerce when the question of the Government barge service on the New York canal was under discussion, is decidedly preferable, yet it is not absolutely essential to the success of our entire project. If it is found to be the case that the maintenance of the Government barge service on this waterway is actually handicapping the development of private enterprise it is entirely possible to transfer this equipment to other spheres of activity, where local support may be more hearty, without altogether disrupting the entire program of the War Department. It would be entirely feasible, for example to transfer the barges now assigned to the New York State Barge Canal service to the Mississippi and Warrior Rivers for use in connection with Government operations now being conducted on those streams. An inspection of these districts has recently been made, at my direction, by Brig. Gen. Frank T. Hines, who is directly supervising these waterway operations. From Gen. Hines' report I am impressed by the importance of the work which is being accomplished by the Government barge service and with the hearty spirit of cooperation encountered among both shippers and operators along these waterways. Although the War Department would prefer to continue the service already initiated on the New York canal, still these operations are not indispensable and can be abandoned if, as the Senate seems to feel, they are imposing undue hardship on private operators in that particular locality.

While it is true that the New York Barge Canal operations of the War Department could be abandoned without frustrating our plans, however, the sale to private interests of the equipment with which these operations are being conducted would seriously handicap our entire waterways program at this time.

The Government is operating, or has under construction at present, a total of 165 barges of various types, 92 of which will be disposed of should this resolution become a law. The scale of the work which the War Department is undertaking in this connection is coordinated with the effective utilization of the entire number of boats as provided for by the transportation act. This is certainly none too many for the nature and scope of the work involved; never-

theless it was all the equipment available, and we have adjusted our plans accordingly. Should this combined fleet now be reduced by over half I can see but two alternative remedies for the situation such action will necessitate.

In the first place, interpreting such action on the part of Congress to mean not an abandonment of the entire waterways development project, but merely the appropriation of these 92 boats for the direct benefit of the State of New York, it should be my recommendation that the War Department be authorized to expend such additional money as might be necessary to duplicate the fleet thus disposed of, or to enable the War Department to provide itself with such other equipment as might be found necessary for the proper execution of this waterway program. Such action would, of course, have the net result of delaying the effective completion of our work for a considerable period, which, however, might be considered by Congress as unavoidable in order to insure the local private development of the New York waterway.

If the foregoing understanding could not be definitely arrived at before the sale of these barges, however, there would seemingly be no alternative but to attempt the execution of this program with but 73 barges, a number far inferior to that required for the large-scale and diversified operations on which we are attempting to prove that the real future of inland waterway transportation depends. Even were the War Department assured of the indefinite retention of this restricted equipment it is certain that our efforts would be materially handicapped and that we would be unable to carry this work to either a speedy or a very definite conclusion. At the same time there is also to be considered the possibility of so disposing of this floating equipment, establishing a precedent for the partition of the remaining Government barge fleets for the direct benefit of other sectional interests who might likewise attempt to benefit themselves at the expense of waterway development generally.

Incidentally, it may not be irrelevant to point out that this floating equipment on the New York Canal exists only through the initiative of the Federal Government and was constructed because private capital had failed to provide the canal with the barges found to be necessary for its effective utilization during the war. When this construction was undertaken by the Government it was considered advisable to incorporate in the designs of these new barges certain features never before attempted in this country, particularly in regard to the introduction of a type of barge capable of carrying its own cargo and at the same time serving as a propellant for other barges, thus offsetting the dead expense of towboats. This and similar practical improvements in barge construction the Government is attempting to develop for the benefit of waterways generally, but it hopes to demonstrate the economic features of waterway operation not alone through the development of more suitable floating equipment but also through the utilization of such improved equipment on a large scale and in maximum quantities; a proposition which is believed to be essential for the most efficient waterway utilization, but one which has not heretofore been and which probably will not now be taken up by private capital unless its feasibility is practically demonstrated by the Government. This is one object which we are particularly anxious to accomplish, but the passage of this resolution will materially counteract our efforts in this direction, in that it will probably have the effect of splitting

up these boats among a number of small operators, while it is believed that the maximum of economy in waterway transportation can only be obtained through the organization of large and heavily capitalized operating companies.

There seems to be some misunderstanding as to the policy under which the waterway development program of the transportation act is being administered by the War Department. Our efforts in this connection are being directed entirely toward the benefit of the individual waterway shipper and the individual waterway operator. In so far as this undertaking leads the Government into the operating field it does so only temporarily and for the ultimate benefit of private enterprise. When the provisions of transportation act have been entirely complied with, or when a point has been reached where these objects have been materialized in part but where it is found that such operations are seriously injuring private operators generally or stifling individual initiative, it is my opinion that then Government operation has ceased to benefit the individual and the community generally and should be relinquished. That point, however, has not been reached at this time; the presence of the Government as an operator is not resented by private operators generally, even though this may be the case on the New York canal, and as to the complete or partial accomplishment of the objects to which we are directing our efforts, we have at the end of three months scarcely more than initiated this work.

The dangers surrounding the passage of this resolution, in so far as it directs the sale of Government-owned barges, have appealed to me so forcibly that I feel warranted in thus bringing this matter to your attention for such action as a careful consideration of these facts may direct. Any further information on this subject which you may desire will be gladly furnished by me or by Brig.-Gen. Frank T. Hines, Chief of Transportation Service, who is thoroughly familiar with all the details relative to the inland waterways operations of the War Department. I would particularly suggest, should you consider it necessary to undertake a public hearing on this resolution, that you request the appearance of Gen. Hines for the purpose of elucidating on any of the points which I have outlined herein.

Respectfully,

NEWTON D. BAKER,

Secretary of War.

Gen. Hines.—Practically the same points that I have made in my statement to the committee are covered in the letter of the Secretary of War.

Mr. Sims.—The statement that you have just read from, giving the details — you intend that to go into the record, do you?

Gen. Hines.—Yes, sir. I have placed it in the record.

The following data pertaining to floating equipment belonging to New York Canal section is for your information.

Steel cargo barges:

Length over all, 150 feet.
 Beam, molded, 20 feet.
 Width over all (fixed fenders), $21\frac{1}{2}$ feet.
 Depth of sides amidships, 12 feet.
 Draft light, 2 feet.
 Cargo capacity loaded to $9\frac{1}{2}$ feet, 642.5 short tons.
 Cargo capacity loaded to 6 feet, 335 short tons.

Concrete cargo barges:

Length over all, 150 feet.
 Beam molded, 21 feet.
 Width over all, including swinging fenders, 21 feet 10 inches.
 Depth of sides amidships, 12 feet.
 Draft light, 3 feet 8 inches to 4 feet.
 Cargo capacity loaded to $9\frac{1}{2}$ feet, 520 short tons.
 Cargo capacity loaded to 6 feet, 190 short tons.

Self-propelled cargo barges:

Length over all, 150 feet.
 Beam molded, 20 feet.
 Width over all, including fixed fenders, $21\frac{1}{2}$ feet.
 Depth of sides amidships, 12 feet.
 Draft, with fuel and stores aboard, 5 feet aft, 3 feet forward.
 With 350 tons of cargo will trim to an even keel on 9 to $9\frac{1}{2}$ feet.

The Chairman.—In connection with the terminal facilities on the Mississippi River, you are familiar with section (c) of paragraph 201 of the Transportation Act of 1920, reading as follows:

(c) The Secretary of War is hereby authorized, out of any moneys hereafter made available therefor, to construct or contract for the construction of terminal facilities for the interchange of traffic between the transportation facilities operated by him under this section and other carriers, whether by rail or water, and to make loans for such purposes under such terms and conditions as he may determine to any State whose constitution prohibits the ownership of such terminal facilities by other than the State or a political subdivision thereof.

Gen. Hines.—Yes, sir; and the projects which I have just mentioned, Mr. Chairman, are in accordance with that section of the bill.

Mr. Chairman, the department has received, as your committee undoubtedly has also received, numerous telegrams and other communications asking that this equipment be not disposed of by the Government, but be turned over to these other projects. I would like to introduce into the record, unless the chairman desires to

introduce them, or has already introduced resolutions and telegrams of that kind, which indicate that the people along these waterways are interested in the outcome of this resolution and are urging that the equipment be not disposed of, but that it be transferred to the Mississippi or the Warrior River sections.

The Chairman.— You may submit them as a part of your statement.

Gen. Hines.— Then I will submit at this time the resolution adopted by the New Orleans Board of Trade on May 14, 1920, pointing out the desirability of having this equipment transferred and the necessity for it, and also showing their great interest in the future development of inland waterways.

(The resolution referred to is as follows:)

RESOLUTION ADOPTED BY THE NEW ORLEANS BOARD OF TRADE (LTD.) MAY 14, 1920.

Whereas a joint resolution has been introduced in the Senate, by Mr. Wadsworth, of New York, providing for the discontinuance of the Federal Government's commercial transportation upon the New York Barge Canal, and the disposal, by sale or otherwise, of the floating equipment built by the Federal Government for this service; and

Whereas we sympathize with the people of New York in their desire to develop their inland waterways to the maximum of their capacity, and in their anxiety to repel any interest, either governmental or private, which may, in their judgment, menace that growth: Therefore be it

Resolved, That we point out to Congress that the boats, barges, and other floating equipment built by the Federal Government for this service are the property of the whole of the citizens of the United States; that we emphatically object to the suggestion of certain citizens of New York that this Federal property be turned over to the State of New York as liquidated damages for the Federal use of the State's canal during the war period, or to the sale, lease, or charter of this equipment at a sacrifice on any grounds whatever to the citizens of New York or any other State.

We respectfully call the attention of Congress to the fact that the business interests of this community are pledged to support the Secretary of War in his efforts to re-establish common carriage on our inland waterways in order that every available means may be utilized to overcome the serious shortage of transportation so distressing to this section, and we urge that in case Congress finds it desirable to direct the Secretary of War to discontinue the service on the New York State Barge Canal it place no restrictions upon his freedom of action in disposing of the Federal property now employed in that service, but rather permit him to reassign these boats and barges to augment

and extend the service in our section where the national waterways are ready and the communities urging the establishment of increased Federal barge service.

Resolved further, That copy of these expressions be spread on the minutes, and sent to our Senators and Representatives, to the chairman of the congressional Committees on Interstate Commerce, the Secretary of War, and to business communities in the Mississippi Valley and the Warrior River Basin.

WARREN KEARNY, *President*.

H. S. HERRING, *Secretary*.

Gen. Hines.— Mr. Chairman, in closing, I would like to repeat, if I may, the statement previously made, that it seems to us — and we have only one desire, and that is to serve the people and carry out the wishes of Congress — that it would be very undesirable at this stage of the operations on the New York Canal to interfere with them.

The railroads in and around New York to-day are operating at about 50 per cent of their efficiency and capacity. There is great need for the traffic to be moved on the New York Barge Canal at this time. We have made plans to move it to the full extent and the full capacity of the equipment.

If the committee decides, and if Congress decides, that Government operations on this canal should be discontinued, I suggest and urge that the date of discontinuing those operations be placed either at the commencement of the next season on the canal, or at the close of this one.

I further urge that, unless the equipment is disposed of at somewhere within a reasonable value and near its original cost to the Government, it should, by all means, be retained by the Government and used where it is needed, on the waterways where the communities desire Government operation to continue.

I believe that it is feasible for the War Department to work out with the officials of the State of New York some plan whereby this equipment can be continued on that canal — that we can continue the operation this season.

If it is the desire that some source of revenue be established or that the Government in some way stands its proportionate share of any cost involved — or if we are not operating and serving the people as we should we certainly are willing to consider any plan that they may have. But the only definite plan that has come

to the department to date is this one that has come before your committee; that is, to stop operations and turn this equipment over to somebody—I do not know whom.

Mr. Parker.—Have you anywhere stated the original cost of this equipment?

Gen. Hines.—I have, Mr. Congressman, but I will be very glad to state it again.

The total contracts awarded by the Railroad Administration before the control was turned over to the War Department amounted to \$4,482,347.61. We believe that the extras—that is, the outfitting and structural changes that we have found necessary to make the equipment suitable for the purpose for which it was designed—will increase that cost so that the total cost will be about \$4,600,000, in round numbers.

Mr. Jones.—How much of that equipment contracted for is now completed and in operation or now on the canal?

Gen. Hines.—All of the cargo barges are completed and 7 of the 20 self-propelled barges have been completed.

Mr. Jones.—How much, in dollars and cents, of the contracts which have been let are still in the course of construction?

Gen. Hines.—I would really have to guess at that.

Mr. Jones.—Well, approximately?

Gen. Hines.—I can insert those figures in the record. I should say offhand that the contracts still pending amount to about \$1,200,000. The self-propelled barges are the most expensive equipment.

(The statement referred to is as follows:)

The value of the equipment remaining undelivered and in course of construction amounts to \$1,120,650 (for 13 self-propelled barges).

Gen. Hines.—Mr. Chairman, that is all I desire to submit to the committee. But if the members desire to ask further questions I will be glad to answer them.

Mr. Parker.—Gen. Hines, there was some reference made here the other day to the large amount of wheat that was awaiting

transportation at Buffalo, N. Y. Have you any information as to how many bushels there are of that wheat?

Gen. Hines.— The information came to me from the operating department of our section in New York, and they said in round numbers, that it was 15,000,000 bushels. Last evening I had occasion to talk to Mr. Noble, the Federal manager of the New York barge section, and he advised me that he had commitments for the full capacity of all the barges and equipment that we have for all of this month, all of next month, and a large part of the following month.

Mr. Parker.— It is of tremendous importance to get that wheat to New York, is it not?

Gen. Hines.— Yes; of tremendous importance.

Mr. Parker.— I mean to the whole country, and not to New York alone?

Gen. Hines.— Absolutely. I feel that the development of the New York Canal is of the greatest importance to the whole country. It has a direct and very important relationship to the commerce of the Middle West.

Mr. Parker.— Which is of the most importance, in your judgment, the movement of that wheat on the Erie Canal or the movement of the coal and other commodities in the South at this time?

Gen. Hines.— At this particular time there is no question that this wheat should be moved immediately, and that is one reason that I have made the statement, which I should like to repeat at every opportunity that I have, that to interrupt the operation of the New York canal at this time — no matter what kind of reorganization takes place — will result in delay, and that delay I believe would be a vital injury —

Mr. Parker (interposing).— In other words, if this equipment should be taken away from the Erie Canal and sent anywhere else you believe that it would be to the detriment of the interests of the whole country?

Gen. Hines.— I do at this time.

Mr. Parker.— At this time?

Gen. Hines.— Yes; within the next two months. But I know of no way by which this equipment could be turned over to a new organization, no matter in what form, that would not result in delays that would be of the greatest damage to the country.

Mr. Hamilton.— How many barges are in operation on the canal now?

Gen. Hines.— Fifty-one steel cargo barges; 21 concrete cargo barges —

Mr. Hamilton (interposing).— The whole equipment would amount to about 100, would it?

Gen. Hines.— The whole equipment in operation would amount to 51 steel barges and 21 concrete barges; that is, 72 cargo barges altogether. Then we have 6 self-propelled barges which carry cargo also.

Mr. Hamilton.— I am speaking of barges which are in operation at this time.

Gen. Hines.— These are in operation at this time.

Mr. Hamilton.— How many barges are under contract for future construction?

Gen. Hines.— There are no new barges under contract; all the barges have been delivered. Of the self-propelled barges, which are power barges, there are 20 under contract, with 7 delivered and 6 accepted, leaving 13 to be completed.

Mr. Hamilton.— And as to those 13, what is stage of construction at this time?

Gen. Hines.— They are about 76 per cent completed — that is the average.

Mr. Hamilton.— So that all barges in process of construction will be delivered, and there are no barges contracted for the construction of which has not been entered upon?

Gen. Hines.— No, sir. We have not contracted for any new equipment since taking it over.

The Chairman.— Some years ago, when we were determining the rate of tolls on the Panama Canal, the testimony of experts was to the effect that the 4,000-ton freighter was the most economical to operate. Is there any such standard as to barge transportation?

Gen. Hines.— I doubt if we have got far enough to establish that standard; but from what the engineers who are now with me say the barges which were designed for this canal seem to be the standard type, so far as that waterway goes; but I believe it will depend entirely on what waterway you are using them on; the current and the measures for handling them would be different on different waterways, and the method of towing them, and the number of barges in the tow would have a very material bearing.

Now, on the Mississippi River we find that, for through freight, the barge carrying 2,000 tons is what we believe to be a suitable type, while the New York engineers and the designers of that type consider that a barge carrying about 600 tons is suitable.

The Chairman.— That is what led up to my inquiry, as to whether the type of barge for the barge canal, which could be most economically operated on that canal, would also be the type which could be most economically operated on the Mississippi River?

Gen. Hines.— The self-propelling barges are very adaptable to the Warrior River because they are practically of the capacity of those down there now; and, of course, any type of barge — that is, any size of barge — could be utilized on the Mississippi River; but for this way-to-way cargo these smaller barges could be used to greater advantage than a larger barge, where you would have to load to capacity or have your barge sail only partly loaded.

The Chairman.— Then, it was your thought to use these barges, if this legislation did not go through, for the local or way freight?

Gen. Hines.— Yes, sir; and also to supplement the same type of self-propelled barges on the Black Warrior River, carrying coal across the Sound to New Orleans.

The Chairman.— There has been some testimony here, and there have been some petitions that I have received, to the effect

that the Government ought to turn over its fleet on the Barge Canal to the State of New York as compensation for the loss suffered by the State of New York under Federal control. What are your views on that?

Gen. Hines.—Mr. Chairman, I am not sure just how they reached the conclusion that there was a loss. As I understand it, the Government's operation on that barge canal was the first operation after it was really completed, and in just what way they reached the conclusion that the State has suffered a loss I am not sure. The rates established by the Railroad Administration at the start were equal to the through rail rates. The through rail rates were increased and the barge line rates remained practically the same. So that there was really a differential of approximately 20 per cent in the barge rates as compared with the rail rates.

The Chairman.—That was the differential that was granted by the Railroad Administration as to the Mississippi River, was it not?

Gen. Hines.—Yes, sir; I think it was practically the same. Now, I think there was a further reduction made as to grain. I have not that data with me, but I can obtain it for the committee; I think it was something like 2 cents a hundred.

But I am unable to answer the contention that the State of New York has suffered a loss, due to the fact that the barge line was put there to help the State and help the community; and the Railroad Administration, I am sure, judging from their reports, thought that they had done so. And surely, if our operations are in any way causing a loss to the State of New York, I would like to know that, so that we can try to overcome it.

Mr. Hamilton.—Has the State of New York filed anything in the way of a bill of particulars?

Gen. Hines.—Not with the War Department; whether they have filed one with this committee, I am not sure.

Mr. Bland.—Mr. Chairman, I would like to ask a question.

The Chairman.—Very well.

Mr. Bland.—You are aware, of course, Gen. Hines, of the desire of Congress to foster and develop waterway traffic. In order that you may obtain the maximum success, is it not necessary to carry not only through traffic from St. Louis to New Orleans and return, but also to secure intermediate traffic from way points, like Vicksburg?

Gen. Hines.—That is true; and as a matter of fact, we are committed to that. We have arranged joint rates with the railroads to cover that traffic; and I think it is absolutely necessary that we should keep our side of the agreement, and provide the equipment to carry it out.

Mr. Dupré.—I want to ask Gen. Hines whether he is aware of any deterioration in the New York Barge Canal itself since the Government's operation began? Has there been any damage to the canal, or any physical loss since the Government's operation began?

Gen. Hines.—I believe there have been some repairs that have been necessary; but I believe they are all charged to the fair wear and tear in the operation. And I believe that there has been no claim presented to the Railroad Administration or to the War Department for damage of that kind. Of course, in the total number of vessels operating on the barge canal, the Government has a very small number in proportion. As I stated the other day, there are something like 790 commercial vessels operating on the canal, as compared to our 80-odd vessels; so that I imagine that there is nothing more than fair wear and tear in the way of damage.

Mr. Sanders of Louisiana.—I understand that the damage claimed is purely a speculative damage.

Gen. Hines.—I had rather concluded that, in view of the fact that no details were forthcoming, as far as the department is concerned.

But I would like to state again that the War Department is most anxious to cooperate with the State officials in this matter; and if they can suggest new means or new methods of operation which will give better results, we are prepared to adopt them.

Mr. Sanders of Louisiana.— I would like to ask this question: In the declared policy of the legislations to attempt to build up the inland water transportation of the country so as to relieve the congestion that is now so prevalent on the railroads, is this Senate resolution helpful or hurtful to that declared policy of the Government?

Gen. Hines.— I can say beyond a doubt that it is hurtful. I believe that the Transportation Act of 1920 is a very admirable piece of constructive legislation, and it should certainly be given a fair trial. I believe that any change taking place so near the passage of that act certainly can result in nothing else but a failure to give its provisions a fair trial.

Mr. Sanders of Louisiana.— Do you not think, in view of the entire situation, that the best attitude of Congress would be to give you — and when I say “you” I mean your department — a fair opportunity to develop the proposition as to whether or not inland water transportation can be successfully developed rather than to go ahead and tinker with the law as proposed by this resolution?

Gen. Hines.— By all means. I feel that it is of great importance, not only to the State of New York but to the country generally; that this is the opportune time to make a real test of inland waterways. At no time heretofore that I have any knowledge of, or that I have been able to obtain any knowledge of, has the attitude of the railroads been such that they were willing, and have actually stated that they were willing, to cooperate with the waterways.

That has been brought about by the fact that undoubtedly the railroads are short of equipment and motive power, and if they worked night and day for the next three years they would be unable to reach the point where they would be able to take care of the traffic.

But, further than that, there is a principle involved in this matter which I think should be given the most careful consideration, and that is the question of whether we should not find out at this time whether the natural sources and the natural avenues

of transportation can not be used to the greater benefit of the community generally than they have been in the past.

Some things have occurred in the past where transportation seems to have been diverted out of its regular channels and out of the courses which it should take; and I believe now is the time to develop ways and means of transporting supplies and developing sections of the country which have never been touched before.

And I think that it will have a far-reaching effect upon the development of our merchant marine and our foreign commerce. The race is going to be very keen; and I think that we should take every opportunity and every means of meeting the competition which this country is bound to have in the development of our foreign commerce.

The Chairman.—Gen. Hines, there was deficiency in the operation of the boats on the barge canal during Federal control, was there not?

Gen. Hines.—Yes, sir.

The Chairman.—About how much was it?

Gen. Hines.—That is, on the New York Barge Canal?

The Chairman.—Yes.

Gen. Hines.—The total deficiency in the operations of the New York Barge Canal section for the last season's operations amounted to \$163,761.44.

The Chairman.—Was that deficiency due to inefficient management and operation, or to the fact that you did not have your full equipment, or to the rates charged?

Gen. Hines.—I think, Mr. Chairman, it can be largely charged to inadequate equipment, lack of power, and the necessity of carrying, in order to operate what equipment they had, what appears, and what will appear until you get full equipment, increased overhead charges. I believe the rates are fair. There may be some changes necessary, but certainly the rates in existence should be given a test before they are changed.

The Chairman.—Will there be a lessened overhead, now that they are placed in your charge?

Gen. Hines.— There is going to be a lessened overhead right away. And the operations for the month of March on the New York section, which are not completed yet, but will be in a little later, indicate a material cut in the deficit.

The operations on the Warrior River were most satisfactory. As against a loss of over \$120,500 for both sections during the preceding month, the total loss on both sections for March was only about \$70,000, and included in that was a loss of cargo due to the turning over of a barge at Memphis amounting to \$37,500.

The Chairman.— A cargo of what?

Gen. Hines.— A cargo of molasses. And that equipment in that case, I might say, is equipment which is not of the new type; it is the old type, which is rather risky to handle in such operations.

Mr. Hamilton.— I gather from what you say, Gen. Hines, that you regard this as a particularly opportune time to develop as rapidly as possible water transportation?

Gen. Hines.— Yes, sir.

Mr. Hamilton.— And taking into consideration the conditions of the railroad transportation of the country?

Gen. Hines.— Yes, sir; I think it is vital, Mr. Congressman.

Mr. Cleary.— Mr. Chairman, may I ask Gen. Hines a question?

The Chairman.— Yes, Mr. Cleary.

STATEMENT OF HON. WILLIAM E. CLEARY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Cleary.— I just want to say this for the benefit of those who might not know it: That so far as proof of the usefulness or success of water transportation is concerned, that has been established 50 or 60 years ago. The Erie Canal in 1880 delivered more grain to the port of New York than the whole combined railroads of the West, and during all of those years it was not

necessary to prove by any trial that the Barge Canal was a great success. I was in that business some 40 years and I know that.

There was one man who operated a boat on the canal whose estate was worth over \$50,000. I know, because I settled with that man's executor; his name was Timothy Raff, and he left over \$50,000. I know all of those boatmen, and they are all prosperous. I knew the men who went into it when the old canal was in operation, and they are all prosperous. I know some of them who are wealthy; they made their wealth operating on the State canals, carrying all kinds of cargoes.

And we always used to argue, and the people of the State of New York always sustained that idea, that the operation of the canal was of very great benefit to the port of New York; that it brought and invited commerce there that never would have gone there but for the existence of these canals.

In the wintertime I have often been asked, in February or March, "What rate can you give us on a cargo of sugar to be carried after the opening of the canal in the spring?" And I would make a certain rate and there was competition with the railroads in those times, and the railroads would want 6 or 8 or 10 cents a hundred more than I would charge. And the shippers would tell the railroads, "Why, Mr. Cleary will take that shipment in his boat and take it for very much less." And they would hold that cargo until spring and ship it by those boats on the canal, and in that way stuff came to New York that would not have come but for the existence of the canals.

And so I want to say, Mr. Chairman, that the waterways need no demonstration of their usefulness and their successful operation. The New York waterways have demonstrated that ever since they were first built. And the canals of New York have been of an enormous benefit to the people of the State. And they want to operate those canals.

The State of New York built these canals for the people of the State of New York. They own them, and the General Government never contributed a dollar toward the canals, although they bring the grain and other material to the seaboard from the West, and they bring the wood pulp from the St. Lawrence River; they carry all the iron ore from Lake Champlain. I have con-

tracted for hundreds of thousands of tons and carried it over those canals.

And yet they ask if the canals are a success. They say, "Let the Government prove that they are a success." Everybody knows that the New York State Canal is a success, and always has been a success.

With regard to the Mississippi River, there are certain places on the Mississippi River that will have to be dug out in order to deepen the channel; but you dig that stream out and give them enough water, and there is no doubt that that waterway can be successfully operated; there is no need of proving that.

The act of Congress does not compel them to establish any rates from port to port on the Erie Canal; a man can carry a cargo as cheap as he wants to. A man will telegraph me that he has a cargo, and ask what rate I will charge. I quote the rate to him — 25 cents, or 50 cents, or whatever it is. Anybody else can charge a lower rate if they want to and get that cargo.

I will ask you to excuse me for interfering. But I just wanted to correct the idea that there was any necessity for talking about experimenting on the canals.

STATEMENT OF BRIG. GEN. FRANK T. HINES, CHIEF OF THE
TRANSPORTATION SERVICE, WAR DEPARTMENT — Resumed.

Gen. Hines.—Mr. Chairman, if I may be permitted I would like to say that, on the Mississippi River, in the seventies we had a big fleet, and that was used to carry commerce there; but it disappeared and disappeared entirely.

Now, the Congress has contended that the New York Canal is a success. That is quite true; but I do not believe that anyone will contend at this time that the canal, or any other inland waterway, has been utilized to its full capacity; but it has been hampered in the past by the railroads, or by some interest that has not given it a fair trial.

Mr. Cleary.—May I make a statement, Mr. Chairman?

The Chairman.—I do not think Gen. Hines has finished yet. We will give you an opportunity after he is through,

Gen. Hines.— And that is the reason that I believe Government operation should be continued until we know what the canals can do; and then, if the commercial companies are put out of business afterwards, we will know pretty well where to look for the reason.

Mr. Parker.— Do you not think that the real reason for the lack of equipment privately owned on the barge canal is that it was the transitional period between the old Erie Canal and the new barge canal when the Government took over the canal during the war?

Gen. Hines.— That may be possible.

Mr. Parker.— Do you not know that is entirely true?

Gen. Hines.— I can not say. I am not familiar with what barges are under construction by commercial concerns or by the State. But I will say this, that I feel sure that no commercial company would have undertaken to develop the new type of equipment which the Government has developed, or could have stood the cost of that development; and I think that alone is well worth anything that the Government has done on that canal.

Mr. Parker.— Do you mean at war prices?

Gen. Hines.— At war prices; private interests could not have stood it.

Mr. Parker.— Because the barge canal was completed during the war?

Gen. Hines.— During the war; it was taken over like all agencies of transportation, due to necessity; because we had to have things moved. It was not a question of whether anybody would or would not; they had to move; that was vital.

Mr. Sanders of Louisiana.— I want to ask Gen. Hines one question: You have a few barges working on that canal now, have you not?

Gen. Hines.— On what canal?

Mr. Sanders of Louisiana.— On the Erie Canal.

Gen. Hines.— Yes; we have,

Mr. Sanders of Louisiana.— Why is it — I am forced to this conclusion by what I have heard the gentlemen from New York say here — why is it that you have prohibited Congressman Cleary and the other gentlemen from using that canal?

Gen. Hines.— We have not prohibited anybody; we have permitted everybody to use it.

Mr. Cleary.— I have not said any such thing.

Mr. Sanders of Louisiana.— Do you mean to say notwithstanding the outburst that we have heard here in this hearing, that those gentlemen can operate on that canal also?

Gen. Hines.— Yes, sir.

Mr. Sanders of Louisiana.— With their own privately owned boats?

Gen. Hines.— Yes, sir; they can.

Mr. Sanders of Louisiana.— And under the same conditions that you operate under?

Gen. Hines.— Yes, sir.

Mr. Sanders of Louisiana.— You have no preference at all?

Gen. Hines.— No, sir.

Mr. Sanders of Louisiana.— You have not any of what may be called an “edge” on them in any way?

Gen. Hines.— Not at all. We are required to go to the same source for business.

Mr. Sanders of Louisiana.— In other words, the people of New York, if they want to, can use that canal under identically the same terms and conditions that you are operating under for the Government.

Gen. Hines.— Yes, sir.

Mr. Dewalt.— Just one question: Is it fair to presume that if the administration of your department found it to be for the best interests of commerce in general that these vessels should be

retained upon the New York Barge Canal, they would be so retained there, or is it your predetermined purpose to take those vessels away from there?

Gen. Hines.—No, sir; it is our greatest desire to use them where they were constructed to be used — on that canal — and to do everything to develop to the fullest extent the use of the canal, so far as our equipment will permit.

Mr. Dewalt.—Then the answer to my question would be this: That if the department in the future were to determine that it was to the best interests of commerce in general, including the State of New York, to retain these vessels where they now are, that would be done?

Gen. Hines.—It would be done. We have the greatest desire to permit the equipment to be used, of course, where it was constructed and designed for and where it would best fit the project.

The Chairman.—Gen. Hines, you may insert in your statement any additional data that you think necessary.

Mr. Walsh.—May I ask the Congressman who has just questioned Gen. Hines whether he means by his question under Federal control?

Mr. Dewalt.—Yes; under control of the War Department.

Mr. Cleary.—Let me suggest just one thing: I want the committee to realize that the Government operated only a comparatively small number of boats. I have received more tows in one day than they own now. And yet they have lost \$160,000 in one year in their operations. What private corporation could operate against a concern that can lose \$160,000 in a year and make up that loss by taxing the people of the country?

Gen. Hines.—The War Department does not desire to continue the operation in that way. If we reach the point where it is a losing proposition you will hear from us, Mr. Chairman. We will have to come to you for our funds.

The Chairman.—Yes, you will have to come to Congress for your deficit.

Gen. Hines.—Yes; we will have to come to Congress for our deficit. And I assure you that my instructions from the Secretary of War require that we show the actual cost of our operations on that waterway. In other words, we are making the test honestly, to see what can be done. Undoubtedly, some of the things that were done in the past were mistakes. I know nothing about the administration prior to March 1. We undoubtedly will make some mistakes, but we are going to carry out, to the best of our ability, the job that Congress has put upon the War Department.

The Chairman.—Thank you for your statement, Gen. Hines.

Mr. Dupré.—I want to call the chairman's attention to the fact that there are some gentlemen here to-day from out of town—not Members of Congress—who have been waiting on the committee and would like to have an opportunity to be heard, and I was wondering whether it would not be proper to give those gentlemen an opportunity to be heard to-day. We Members of Congress are here day in and day out and we can come in on Monday and make our statements, but these gentlemen would like to testify to-day.

The Chairman.—Yes. Like the poor, Members of Congress are always with us. [Laughter.]

STATEMENT OF HON. S. WALLACE DEMPSEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Dempsey.—Mr. Chairman, I would like to be heard for a very short time. I think what I have to say will clarify this hearing somewhat, and I will be very brief.

The Chairman.—You may proceed, Mr. Dempsey.

Mr. Dempsey.—Mr. Chairman, it seems to me that the hearing so far has proceeded very largely upon a mistaken idea as to the scope of it.

This is not a hearing, as I understand it, to determine whether or not, Congress shall take away from the State of New York certain barges which have been constructed for use upon its waterways and send them down to the Warror River and the Mississippi

River, or whether they shall be retained on the New York canal. And yet that is the aspect that the hearing so far has taken.

There is no such question raised in the resolution which the committee is considering. That question is not before the committee at all. And while we can readily understand that gentlemen interested in the Warror River and gentlemen interested in the Mississippi River might desire to take New York's equipment and use it upon those waterways, that is not within the scope of this resolution; nor do I believe it is within the intention or plan of the committee.

Now, let us see what is presented to the committee, and how we happen to be considering this resolution.

There were constructed and put in operation upon the Barge Canal during the period of the war these seventy-odd barges. When the bill restoring private control of the railroads was passed those barges were turned over to the War Department; and then the State of New York, mindful of its history, remembering the fact that it built at its own expense, way back in 1806 and 1808, the Erie Canal and furnished that free of charge for the transportation of the products of the West, and has maintained it as a free waterway all of that time; mindful that it had spent recently \$200,000,000 upon that waterway — well approximately \$200,000,000; they have \$30,000,000 that is at present appropriated and ready to be expended, and it will be \$200,000,000, in round numbers, before the clock has hardly run around the dial.

Mr. Doremus.— Before you get through?

Mr. Dempsey.— Yes. Now, during all that time the Congress has not aided the State of New York in its expenditures on that canal; the canal has been open to all, free to all, and when the State of New York read this bill they said, "Why, that reverses the policy of the State; reverses the policy upon which this canal has been operated from its inception." And they come here, not asking you to take away these boats from the canal; that is not what they are asking at all; they realize the West needs those boats to transport its grain; they realize the canals are of greater need to the public than they have ever been in their history; they

realize that they need these boats as they have never been needed before; and they surely can not be accused by anybody of having so little sense as to come here and ask you to take away such boats at a time of such need as this.

What they do have in mind is the policy of the State, and you are inaugurating something here that this bill itself declares is not your policy, declared overwhelmingly in the Congress of the United States is not your policy; you are inaugurating on the waterways Government operation, and you have said as to the railroads, with almost unanimous voice, that it is a policy of which you do not approve, but yet which you start on the waterways, which you need to develop in order to relieve the railroads. Government operation demonstrated its failure in the railroads and was declared a failure by Congress by overwhelming voice. And that is what we come before this committee to direct their attention to.

Now, Mr. Cleary very well says that it is not necessary to demonstrate the usefulness of the canal, and then the governor. [Gov. Sanders] asks this question in good faith, and I want to answer him in good faith, because I think I can point out the distinction. He said, "During all this time that these boats built by the Government and operated by the Government have been there is it not a fact that private owners were at liberty to go on and operate their boats in competition on the canal?" And the answer was "Yes." Now, let us see whether the answer is "Yes." I say the answer is "No." Why? Because the Government made such a rate (and that fixed the rate for all), the Government made such a rate that it made it impossible to carry traffic on the canal and the Director General of the Railroads announced more than once publicly that he did not intend to give traffic to the canals and waterways, but intended to divert the traffic from the waterways because the railroads needed the revenue.

Mr. Sanders of Louisiana. That is in the past; how about the present?

Mr. Dempsey.—That was in the past, before we passed this bill; but we have not had any season on the canal since.

Mr. Sanders of Louisiana.— But that is not the policy to-day.

Mr. Dempsey.— Now, let us take the future. Mind you, I sympathize very strongly with what Gen. Hines said here, in many ways. I believe he intends to do just what he has said here, to do the best he can by these canals. But, now, you all come from your individual states and we come here from a great State which has spent \$200,000,000 upon its canals and has had a policy for over 100 years, for nearly one hundred and a quarter years, to make this canal free to all. We disapprove of Government operation not alone of the railroads, but as to the canals and the telegraph and the telephone, and as to all public utilities. We do not believe it will work. What Gen. Hines said in one respect is true; I do not believe in these times of high prices that any private corporation would have gone on in the midst of the war and built these vessels. I think that is true. And I do not want to be unfair; I want to give him honor, for I believe as a public servant he wants to do the very best he can do; he is placed in this position by our statute, and he is trying to follow the statute, that is all.

Now, while it is true that we probably would not have built these vessels that are there, we are against Government operation in the State of New York and in New England. Now, what I say to you is this: We need those vessels for operation on that canal and we need them right away. There can be a way devised to operate those vessels privately. There is an abundance of men like Congressman Cleary here, who are engaged in this business, who would lease those boats and operate them privately under the supervision and with the aid of Gen. Hines. We want his help; we do not want to act at cross-purposes with him; we want to help him in every way, but we want our boats principally. We believe they will do better, we believe they will transport more freight, we believe they will transport freight at lower rates, and we believe we will send the great food products of the Northwest more cheaply to the sea and more quickly across the ocean if we can operate them on the canal privately, if they are operated under private control.

Mr. Sanders of Louisiana.— Then you do not insist on the sale —

Mr. Dempsey.— Not at all; we are willing absolutely to waive that; we do not want any undue or improper advantages; we want to do that which is best for the whole country. We want to help market those food products, but we believe we can do it more quickly by private control. We believe we can lease the boats quickly; we are perfectly willing to have Gen. Hines's supervision and we are perfectly willing to help in every way and we want to cooperate with him.

Mr. Sims.— The resolution does not read that way.

Mr. Dempsey.— Suppose the resolution does not read that way; this committee is a coordinate power; you are not a subordinate power; you do not have to adopt it in the terms of the Senate resolution.

Mr. Sims.— In other words, you are opposed to the resolution without amendment?

Mr. Dempsey.— I would not say I was opposed to it.

Mr. Sims.— Without amendment, I say.

Mr. Dempsey.— It was introduced by Senator Wadsworth of New York. I believe the resolution can be improved.

Mr. Sims.— You are not opposed to it without amendment, then?

Mr. Dempsey.— I am in favor of these changes I have outlined.

Mr. Sweet.— That is of leasing these boats to private individuals?

Mr. Dempsey.— Yes; under the aid of Gen. Hines. He has suggested here he might develop some new thought, some new —

Mr. Sanders of Louisiana.— The concrete proposition is to keep these boats here on the canal to move the grain from the West, is it not?

Mr. Dempsey.— Yes.

Mr. Sanders of Louisiana.— Now, there can be no question of rates in that, because the Government rate or, rather, the rates are

fixed for the Government boats by the Interstate Commerce Commission the same as they are fixed for Mr. Smith's boats or Mr. Jones's boats.

Mr. Dempsey.— I do not know about that.

Mr. Sanders of Louisiana.— I do.

Mr. Dempsey.— I have had cases for several years under the interstate commerce act before the courts.

Mr. Sanders of Louisiana.— The recent act that bears the honored name of our chairman, requires these Government-owned propositions or Government operated and owned propositions to have their rates fixed by the Interstate Commerce Commission, just like anybody else. . They are common carriers. Is not that true, Mr. Chairman?

The Chairman.— They are common carriers, subject to the interstate commerce act in interstate commerce; but it would not apply to the rates on intrastate commerce.

Mr. Sanders of Louisiana.— But I started off by stating the main purpose was to take the grain out of the West, and as far as the grain out of the West is concerned the Government boats and independent boats would have to charge identically the same rates.

Mr. Dempsey.— Let me show you what the law is on this. That would be true as to the grain that starts at Duluth and is landed in New York on the steamer. But, unfortunately, there are 15,000,000 bushels right in Buffalo to-day, and that is in the State of New York, and it will be transported to New York City, and that is in the State of New York. That is wholly intrastate and would not be subject to the interstate rate at all.

Mr. Sanders of Louisiana.— How would that prevent Capt. Smith from going there with his barges and taking that 15,000,000 bushels of grain to New York?

Mr. Dempsey.— It would not prevent Capt. Smith from going there and taking that grain.

Mr. Sanders of Louisiana.— Of course not; and it would not prevent Gen. Hines from doing it in his barges.

Mr. Dempsey.— But here is your trouble with that as it has developed in the past, as it has developed up to date; I do not know how it will work out in the future, but you can only judge the future by the past. In the past the Government, in the last season, lost \$163,000. Now, if they are prepared to lose \$163,000 this season by the same operation, Capt. Smith and Capt. Jones and Capt. Cleary and the other private owners can not compete with that kind of operation.

Mr. Sanders of Louisiana.— That does not follow at all. If Capt. Smith and Capt. Jones operate with so much more efficiency under private ownership and with such a tremendous less overhead they might make money at the same rate the Government would lose money; is not that true?

Mr. Dempsey.— I think that may be true; but, nevertheless, you do not believe that any one of your citizens or any citizen of the United States should be subjected to Federal competition on those terms. That would not be fair; it would not be just; they should not have any such competition; the competition should be even and equal and each man who operates, whether it be the United States or whether it be the State of New York or whether he be John Jones, should operate on an equal basis. And that is the whole basis of American institutions, equality of trade.

Mr. Cleary.— Mr. Chairman, Mr. Dempsey when he got up began to clarify things, but of course as you speak you forget to relate certain things. The governor's question has rather brought to my mind this situation: For the last year or so several corporations have attempted to start building boats for this canal. A whole lot of people thought about going into it. Walsh here knows about it. They were discouraged when the Government took hold and did it in this kind of way and made it so they would lose instead of gaining. It has discouraged private capital, either in small corporations or individually, from going into this business. The people of the State and the State superintendent here and everybody who knows about this who contemplated building fleets that have been stopped, knows they have been frightened and hindered from going into it because of the Government's holding

on to it. That is the reason of this action, and that is the main reason. Those fellows want to build boats and the State wants the work done, but they find they won't do it while the Government has its fleet there.

Mr. Denison.— Do you claim, Mr. Dempsey, or do you partly claim, the Government rates are too low?

Mr. Dempsey.— No; the rates were so high we did not get the traffic; the traffic did not come to the canal.

Mr. Denison.— Is there anything to prevent the private owner from going in and hauling this stuff at cheaper rates?

Mr. Dempsey.— All we have to state, if the gentleman from Illinois will permit — all we will say is this: That it is pretty nearly impossible to operate privately in competition with a great Government which is prepared to make losses.

Mr. Denison.— I can understand that ——

Mr. Dempsey.— We have operated and have operated successfully all through the history of the canal up to the present time, when we have had simply private owners competing among themselves.

Mr. Denison.— I want to get this clear in my mind, and I am asking for information: I can understand how private owners can not compete with the Government if the Government transports its products cheaper than private owners can afford to do so.

Mr. Dempsey.— Yes.

Mr. Denison.— But you do not claim that the Government is transporting it at too low a rate. Then, tell me why private owners can not compete?

Mr. Dempsey.— I will tell you why. Because it drives traffic off the canal, and you do not get the business.

Mr. Denison.— If private owners can transport them at a cheaper rate, won't that bring the traffic back on the canal?

Mr. Dempsey.— I do not believe you can have several rates on the same waterway, particularly when the rate made by one

carrier with the combination of a large number of boats, the largest competition that you can possibly have in the aggregate is several times as great as that of any private owner.

Mr. Denison.— It would seem to me that a private owner could go in and put a cheaper rate on and drive the Government boats off.

Mr. Alexander R. Smith.— This is the situation, Mr. Chairman: When the Federal Government took charge in 1918 it took all of the available vessels for use on the canal under its own control, leaving the canal helpless for development or operation. Up to that time the canal had successfully operated. It was then handicapped by the Federal Government having all the vessels that were available and refusing to use them, refusing to use them here, because it put the rates so high that the people preferred, notwithstanding the congestion, to send by rail, because it was cheaper. That is what inaugurated this situation, Mr. Chairman.

Mr. Dempsey.— What the Congressman is asking about is not what happened in the past; he is asking about the future.

Mr. Sanders of Louisiana.— I have seen what has happened in the past; it is what is holding back the people now that I am asking.

Mr. Walsh.— It is not a question of rates; it is not a question of competition in rates; it is simply a question of the Government on the one side and private parties on the other side. Nobody in the State of New York will undertake to compete with the great United States Government, operating under the jurisdiction of its War Department, on the State canal, simply and purely and wholly owned by the people of that State, who invested their money not only in the canal itself but in the boats to operate on that canal.

The result is this, that when the Government undertook to operate that canal it drove all the private owners away, not because they could not compete in rates, but because they had not any faith in their own ability to compete at all with that great piece of machinery, the United States Government, that could

suffer a loss where they could not. The result is these two or three hundred privately owned boats that should be operated to-day are relieving the congestion in other parts of the country, are operating between the city of New York and Philadelphia, to all points on the Delaware River and a few points on the Hudson River, at rates at which they are sure of making money so that they can pay something on their investment, and they will not come back into that field for which the boats were built until the Government releases its operation, because at all times when we seek to get them back they say it is not a good thing for them. When the International Waterways Commission went to make a contract or agreement with the State of New York it was specifically with the understanding when Government control of the railroads ceased so should Government control of the canal cease, and it has not ceased, and there is a question in the minds of every man in the State of New York to-day, and that is why this committee and the Senate committee is flooded with telegrams and protests and resolutions, and that is why the Canal Board of the State of New York sent to the Legislature and it adopted the resolutions which have been presented to this committee.

Mr. Dempsey.—I have about finished. I simply want to say this in conclusion: The State of New York has no quarrel with the Mississippi River nor the Warrior River; the State of New York, as far as the speaker is concerned, the present speaker, is interested in these waterways and wants to help develop them in every possible way; but I do want to say to the gentlemen who are here at the present time representing those waterways, that these barges were built for the Erie Canal of the State of New York, and I do not believe that Congress is contemplating at all taking those barges away from the State of New York and awarding them to you [addressing Mississippi River delegation], and I think it is a lost labor to come here when we are simply asking that you observe the same principle you have enunciated in your railroad bill, that you are opposed to Government control, that you believe it a failure. We are here simply and wholly to ask you to carry that out as to water transportation, and to give us the opportunity to operate these boats privately — that is all.

Mr. Sanders of Louisiana.— But we announced the identically opposite position in regard to waterways in the Esch bill.

Mr. Dempsey.— I know you did.

Mr. Sanders of Louisiana.— Therefore you are asking us, before we try the water provision of the Esch bill, to nullify it. You voted for the Esch bill?

Mr. Dempsey.— I know I did.

Mr. Sanders of Louisiana.— And therefore you voted for this.

Mr. Dempsey.— And I was present during every moment of the consideration of that bill and took an active hand in it, too; but I am quite sure all the time, although I was greatly interested, and although I regarded it as a monumental piece of legislation and so stated to your chairman, and one that is to be to the credit of this committee for all time — I did not realize the effect of that provision in it, nor do I believe the members of this committee did.

Mr. Sanders of Louisiana.— The reason you did not, then, is because you did not listen to the speech I made, for I spoke for one hour on this provision.

Mr. Dempsey.— I am sure I did listen, Governor, but you know the principle —

Mr. Sanders of Louisiana.— And I enunciated it.

Mr. Dempsey.— I think you are right, but I do not think you realized, and I did not realize, the effect of this provision at the time. It was called to my mind, but I did not realize the effect of it. But we are not here to have these barges taken away from the State of New York; it is simply a question of whether they will be operated under Federal control or private control.

Mr. Hamilton.— What you have to say is you want the barges on the canal?

Mr. Dempsey.— And the country wants them.

Mr. Hamilton.— But you do not want the barges on the canal controlled by the Government?

Mr. Dempsey.— I do not go quite as far as that, as the gentleman from Michigan says. I say this; I say they should be operated privately, if need be, under the supervision of the War Department, with their aid; that we honestly believe Gen. Hines wants to help us and not to hurt us; but we do think we can do better if it is operated privately with his help—a great deal better—than we could under Federal control.

Mr. Hamilton.— I was coming to that. If you want the barges operated subject to the supervision of the War Department, might not the same complaint lie that you make now?

Mr. Dempsey.— It might. The provision would have to be carefully drawn.

Mr. Hamilton.— Could you draw it so that the ground for complaint which you now allege would not be present?

Mr. Dempsey.— I think you might. I doubt whether you should go any further than this as to Federal control: I believe the lease should provide that these barges should be continuously operated if freight is offered; I believe it should provide they should be operated so as not to injure the boats; I believe it should provide they should be operated as long in the season as the weather conditions will permit. I think some such provision as that should attach to private operation.

Mr. Hamilton.— That would be good business sense anyway, would it not?

Mr. Dempsey.— Yes. Another thing, Gen Hines has suggested that he has some ideas that he believes are new and modern and which will be an advance in inland waterways transportation. I would like to see those ideas tried. I do not think he is simply talking; I think he means exactly what he says. If he has any thoughts by which he can benefit us, we want them.

Mr. Hamilton.— Do you not think the folks who have been operating barges on that canal and who have had an experience of 20 years might have just as advanced ideas as anybody else?

Mr. Dempsey.— They might have. They might have better ideas from practical experience, but I do not want to exclude and

shut our ears and our eyes to any good suggestions from any one, much less from Gen. Hines.

All I say in concluding is that your telegraph, your telephone and railroads proved a monumental failure under Government control, so do not let us repeat that on the inland waterways; let us lease these boats and let us provide that they shall be operated, that they shall be operated continuously, that they shall not be injured, and then see that those provisions by some satisfactory method are embodied in your lease.

Mr. Hamilton.— You would not extend that to any other waterway except the New York Canal, would you?

Mr. Dempsey.— I am not here to tell these gentlemen upon the Black Warrior what they shall do, nor am I here to tell the gentlemen on the Mississippi what they shall do. I believe they are perfectly competent to look after their own interests, and all I ask is that they leave us alone in the State of New York as to our interests; that they do not come here urging that what belongs to us shall go to them.

Mr. Sanders of Louisiana.— They are not urging that.

Mr. Dempsey.— I do not know but that that might result.

Mr. Sanders of Louisiana.— We do not ask for a single barge off the Erie Canal to go anywhere.

Mr. Dempsey.— I am delighted to hear the governor state that.

Mr. Sanders of Louisiana.— The only thing we protest against, Mr. Dempsey — and I will protest against it as long as I am a Member of this Congress — is any effort made to divert the title of the Government in these barges to any special interests or any special class.

Mr. Dempsey.— I am not going to dispute with you for one moment over that.

Mr. Sanders of Louisiana.— Then there is no quarrel between you and I.

Mr. Sims.— Would you not want to pay a rental to the Government that would amortize the barges which are leased?

Mr. Dempsey.— Let me answer that in this way —

Mr. Sims.— I have asked a direct question.

Mr. Dempsey.— I am going to answer the question. It seems to me the committee, in taking up that question, would probably consider two things — three things: First, what, under all the circumstances, is a fair return to the Government; secondly, the circumstance that the Government did have the use of the Erie Canal during the period of the war, and that the State of New York maintained it at an aggregate expense of about \$8,000,000 per year, paying \$6,000,000 for interest upon its bonds and \$2,000,000 for maintenance. I think that should be given some weight; just what weight I do not say. I say that is for the consideration of the committee.

Mr. Sims.— In other words, you want them to amortize by charging it up to a supposed loss?

Mr. Dempsey.— And, third, I say that it should take into account that we are taking over a losing property that last year lost the Government \$163,000.

Mr. Sims.— That is utterly inapplicable, and you should not even ask us to consider it.

Mr. Dempsey.— Let us see, if the gentleman from Tennessee will permit me, if that is improper. You ask me to buy this building across the way. I say, "All right; let me see what your rent and what your overhead was." And I find that the building, instead of making a fair return on the price that you ask me, has made a loss last year of \$163,000. Should not that be taken into account in arriving at the purchase price?

Mr. Sims.— Yes; if we are forced to buy it. But you want to buy it because it is to your advantage, and we have a right to make terms that will make us whole. It is to your advantage to buy it and to operate it, and I think you should not undertake to set off our loss.

Mr. Dempsey.— All I say is, if a horse has a spavin and you buy him, you should take that into account; and if these barges have produced a loss, it is some evidence as to their value.

Mr. Sanders of Louisiana.— If I as owner of the barge wanted to sell it; but now, I do not want to sell the barge.

Mr. Dempsey.— I think all that any of you have in mind is this — what is the best thing to do? It seems to us it is the best thing, and if you reach the conclusion it is the best thing to lease these boats, then I think these other elements would enter into it.

In an offhand speech like this, I am simply stating the facts. I can. You will reach the decision as a result of mature consideration. I beg to thank this committee for hearing me.

Mr. Doremus.— Have you any evidence that, if the Government should abandon its operations on the New York Barge Canal, private capital will actually build barges for that service?

Mr. Dempsey.— I am frank to say I have no evidence of that kind. I heard the statement made here by Congressman Cleary that private capital had started to build barges and had abandoned it on account of this provision in the railroad act, the Esch Act.

Mr. Doremus.— As a general statement, I suppose the man who made it has some justification for it?

Mr. Alexander R. Smith.— I have some justifications from the records of the Government, if I may be given the opportunity to present them.

Mr. Dempsey.— I think the State Superintendent of waterways knows the facts in that regard. I thank the committee again for their patient hearing.

ADDITIONAL STATEMENT OF MR. EDWARD S. WALSH, SUPERINTENDENT OF PUBLIC WORKS, STATE OF NEW YORK, ALBANY, N. Y.

Mr. Walsh.— I think there is every evidence in the world that private enterprise will; they are anxious and willing. They even went so far as to subscribe money and they organized companies, but the minute the Railroad Administration took over the operation they stopped until the Government operation ceased. And

that question I answer officially, the State of New York answers that question, yes.

Mr. Doremus.— And you think private capital will actually build barges for that service?

Mr. Walsh.— Yes; I know it, positively.

At the first hearing before this committee, Thursday last, as well as at the hearing before the Senate Interstate Commerce Committee April 9, the opposition of New York State toward the operation of barges on its canal system in a commercial service, through any agency of the Federal Government, in direct competition with citizens not only of New York State, but other States also, was clearly shown.

As I understand it, Congress has expressed in no uncertain terms its disapproval of Government ownership and operation of transportation facilities, and if I correctly interpret the sentiment of this committee, I think you are agreed Government operation on the New York canals should cease at once.

However, subsequent to the action of the Canal Board of the State of New York, March 17, adopting resolutions requesting the discontinuance of Government activities on the Barge Canal and the ratification of those resolutions by the Legislature of the State of New York shortly after March 17, transportation conditions throughout the entire country have undergone an appreciable change — unfortunately not for the better. So that at this time your committee, in giving consideration to the question of what disposition should be made of the barge fleet built by the Federal Government for service on the New York canals, must, it seems to me, consider the greatest sphere of usefulness of these vessels, their adaptability for use in various waters, and the cost to the Federal Government of their operation in any waters.

As to the first factor, the New York canals traverse and connect the most densely populated and intensely developed industrial areas of the entire country; that is, New England, New York, and the Middle West. Throughout that great area the transportation situation is perhaps more acute than anywhere else in the Nation.

The retention of the Government barge fleet in an efficient service on the New York canals will do much toward relieving that situation. Through New York Harbor, over 11 splendid terminals built and owned by the State of New York at a cost of \$10,000,000, and free from the congestion obtaining at other terminals in New York, we may handle a splendid tonnage with connecting water lines to and from New York State and western points, and points in New Jersey, Pennsylvania, Maryland, and south to the Gulf. Already New York State has come to the aid of Baltimore and Philadelphia, by turning over to a transportation organization operating barges between New York City and those ports, its splendid million dollar terminal at Pier 6, East River, New York City, and this was done at a time when pier space elsewhere in New York Harbor could not be had at any price, and when shipping interests in Philadelphia and Baltimore were at their wits end for transportation service. And that is not all: Over 75 of our canal barges have been temporarily chartered in that service.

I ask the gentlemen of this committee from Pennsylvania and Maryland to consider the benefits their people have received in this manner, from the New York waterways.

Through the Troy gateway to New England last year we handled a considerable tonnage in the high-class manufactured product of New England, destined to the West, and that was only a beginning. We gave a 20-cent differential to New England shippers and evidence that New England interests want the New York waterways developed is apparent by their invitation to me to meet with representatives of the New England Industrial Traffic League and the Boston Chamber of Commerce at a joint luncheon to be held in Boston June 25, whereat I will tell New Englanders what our canals can do for them and how they may utilize them.

I ask the gentlemen of this committee from Massachusetts, Rhode Island, and Connecticut to consider the benefits their constituents will receive through the successful operation of the New York canals.

As to the Middle West, perhaps the gentlemen of the committee from Michigan and Ohio and Indiana will be interested

to know that the great motor-vehicle manufacturing interests of that section; the steel interests; and your manufacturers, jobbers, wholesalers, and retailers are besieging New York Canal officials with requests for information as to how they may use the barge canal and are offering traffic to us in unprecedented volume. In the grain trade alone, from the Northwest, coming down the Lakes to the port of Buffalo, the utilization of the fleet is imperative. The gentlemen from Minnesota and Iowa and Wisconsin should mark this. Only last week I conferred with men in Cleveland who contemplate the construction or purchase of a fleet of barges to operate between Cleveland and New York State points. This project involves an investment of millions.

We have on the New York canals to-day approximately 700 barges of about 300 tons capacity each, exclusive of the Government fleet; 400 of these trade through the Champlain division to Canada, carrying lumber and forest products. Most of these 400 are Canadian owned. On the main line, or Buffalo-New York division, there are, therefore, only about 300 barges available for service, having a carrying capacity of, say, 1,350,000 tons per season. The Government fleet, if operated to its maximum capacity, might carry about one and a quarter million tons, thus supplementing the cargo capacity nearly 100 per cent. Consider that this is the equivalent of 60,000 freight-car loads and you have a true appreciation of what the New York canals mean to the entire North Atlantic seaboard.

Now, as to the second question: Suppose you withdraw the Government barges to other waters. Where else in the whole country may they serve as good a purpose? Where else are there inland waterways on which these barges could operate, where the transportation needs are so great or so urgent? Certainly not on the lower Mississippi, where between St. Louis and New Orleans, I understand, there is but one municipality — Memphis — equipped with terminal facilities adequate to the demands of traffic; and certainly not on the Warrior, where the density of population and manufacture compares not in the slightest degree with New York, New England, and the Middle West; certainly not on the Ohio where we have little, if anything, but coal traffic, and these are not coal barges.

Is it not apparent, if you consider the requirements of commerce — and that I believe, just now should control your decision — that only on the New York canals may these barges serve the greatest purpose and aid in solution of our perplexing transportation problem.

Aside from the commercial aspects of the situation, physical considerations are important. The Government built these barges to meet conditions of navigation obtaining on the barge canal. They differ materially in design and dimensions from the type of craft proposed and constructed for the Mississippi and Warrior Rivers. They are 150 feet in length, 20 feet beam, with 12 feet depth of hold, designed to carry 630 tons on a draft of $9\frac{1}{2}$ feet. The power barges are of the same dimensions, developing 400 indicated horsepower.

For the Warrior River the Government designed an entirely different type of barge. They are longer, much wider, and shallower, intended to carry the greatest cargo on the shallowest draft. In the Warrior, I am informed, at certain seasons of the year there is a maximum depth of channel of but 8 feet. The channel of the New York State Barge Canal is 12 feet deep. It would seem to me that the utilization of barges designed to load to $9\frac{1}{2}$ feet would be inefficient and costly in an 8-foot waterway.

On the Mississippi the difference in the type of barge is even greater. The barges designed for this service are upward of 200 feet in length, 40 and 45 feet beam, with a draft of 6 and 11 feet. The steamers are equipped with two 900-horsepower engines, and experienced operators state that the utilization of a 400-horsepower barge on the Mississippi is out of the question, as it could make no headway with its tow against the stream and the current might carry it out into the Gulf of Mexico.

Expert vessel operators will tell you that each condition of navigation demands a distinctive type of vessel and there is no such a thing as a "jack of all trades" boat where profit and efficiency are the controlling elements in the operation. The Great Lakes has its type, the ocean its type, and different navigable inland waterways their types. It would appear that the operation of these barges built for trade on the New York canals would be distinctly unwise and unprofitable in other waters.

This brings us to the third premise: If this committee in its wisdom approves the resolution before it and these barges are retained on New York canals under private control, what direct advantages accrues to the Government? In the first place, the New York canals are maintained and operated by the State. Here is a \$2,000,000 a year saving to the Nation. Secondly, the Government would assume none of the cost of barge operation, and when you realize that last year the Railroad Administration lost over \$160,000 in the operation of these barges on the New York Canal, to say nothing of the interest and other carrying charges good business principles warrant including in the operating charges, you must concede this feature is important. Lastly, under the provisions of the measure the Government receives a revenue from the property, either through its purchase or charter.

Contrast these benefits with the results accruing to the Government from the use of the barges on any other inland waterway. There are no other navigable inland waterways in the country that the Government does not maintain at a great cost. This feature is deserving of much consideration. Next, there has been no activity of the Federal Government on any inland waterway that has not resulted in a heavy loss. Take the Mississippi-Warrior section last year—the operations there resulted in a deficit of nearly three-fourths of a million, and I think the Warrior River carried 125,000 tons of freight. The New York canals transported 1,238,844 tons in a seven-month season of navigation during 1919. Lastly, the Government receives nothing for the use of the equipment. It merely has the pleasure of experimenting and footing the bill. Is it not clear, in view of these facts, that the New York canals offer the best and most profitable employment for these barges?

The statement was made by one of the gentlemen of the committee at the first hearing that under the provisions of the measure that you are considering the boats would be transferred to New York State practically as a gift. If you take these barges down on the Warrior or Mississippi, operating them at a loss and maintaining the channel in which they navigate, is not that also a gift to the States they serve, and wouldn't you be paying the people you give them to a pretty penny to accept the gift?

But New York wants no gift. What we get we will pay for. While we think we have paid dearly for these barges already, we are willing to go further. There are men in New York State who will buy these boats at a fair price, not at their construction cost, but at a reasonable figure, something like their probable pre-war cost. Such a procedure is not new in the disposition of surplus war equipment. I am informed the Shipping Board pursue this policy, writing off the excessive war cost of vessels and offering them on that basis.

If, in your judgment, these barges should not be sold by the Government, then there are many in New York State who will gladly charter them at a fair rate for a stipulated period of time.

Lawyers may disagree as to the phraseology of this measure; whether the wording or purpose is clear or otherwise, I do not profess to know. I do know, however, that the place for this fleet is on the New York canals, and I ask this committee to provide in any manner it sees fit, so that they will remain on the New York canals and under private control.

The Warrior and Mississippi have been pretty well provided for by the Government in the way of barge equipment. The equipment contracted for or projected involves an expenditure of nearly \$10,000,000. It seems to me, with that, their requirements will be well met, and after New York has gone into its pocket to the extent of \$18,000,000 for two years' experience under Federal operation of its \$200,000,000 waterway system, and now holds nothing but the bag, you gentlemen of this committee will only be doing what is right and fair and just in approving the discontinuance of Government operation of our canals, of giving us an opportunity to acquire the barges, of rehabilitating commerce on our inland waterways, and of developing a system of water transportation that benefits not alone New York but the entire Great Lakes and north Atlantic seaboard territory as well.

STATEMENT OF MR. ALEXANDER R. SMITH, OF NEW YORK,
EDITOR OF THE PORT OF NEW YORK ANNUAL

Mr. Smith.—I am editor and compiler of the Port of New York Annual, devoted to port interests; also editor of the Marine News.

I just want to quote one sentence here. What I am going to put in the record is the statement made by Mr. G. A. Tomlinson, an operator of vessels on the Great Lakes, who came down to Buffalo, as he says, and made arrangements for building 100 steel barges in the winter of 1917 and 1918, and had \$3,000,000 ready with which to go ahead with the construction of 100 barges of the kind he proposed to build, that would have carried 20 per cent of the entire business that could have been moved on the canal. And he did not do it because the Federal Government came in. He says:

As I said to Senator Nelson this morning, I am a western man, and I talk from the shoulder. I do not propose to pay the Government taxes and then have the Government in competition with me in my own business; that is, I am not going to furnish money for carrying through a proposition myself and pay some of my own money to the Government for taxes, and then have the Government enter into competition with me in that business. I do not know but what the Government effort will be far better than my own individual effort would be. That I do not pretend to say; but I do say that if the Government adopts the plan of building barges for these inland waterways, and especially the Erie Canal barges, I am not going into that business.

That is the gentleman who was selected by the Federal Government to take charge of the New York canals when it took charge of them, and he more recently has occupied the position now held by Gen. Hines.

I would like to file these extracts from his statement with the committee.

The Chairman.—You may file them with the stenographer to be incorporated in the hearing.

(The memorandum referred to is as follows:)

On page 1435 of the hearings on "United States Shipping Board Emergency Fleet Corporation (Vol. II), appears the testimony of Mr. G. A. Tomlinson, of Duluth, Minn., one of the largest individual vessel owners on the Great Lakes, a man engaging heavily in the operation of grain, and at that time president of a shipbuilding company—the Superior Shipbuilding Co., a subsidiary of the American Shipbuilding Co. Mr. Tomlinson was given charge of the canals of the State of New York when they were turned over to the Federal Government later in 1918, and who until recently was director of inland waterways of the United States. On page 1438 of the document in question, Mr. Tomlinson, who controlled 26 ships on the Great Lakes, said, in part (hearing on Feb. 4, 1918):

"My associates in my 26 ships thought there was a splendid opportunity to equip the Erie Barge Canal in part with steel barges. To that end I have already \$3,000,000 subscribed to go ahead with that work.

"We have consulted with the steel company, the Lackawanna Steel Co., in Buffalo, and made arrangements with them to fabricate material for these barges. We had secured land to assemble them in Buffalo, and were ready to go ahead after the Government had assured us, first, that they would not commandeer the vessels, and second, that they would not engage in a construction plan of their own and thus be in competition with us.

"I was here last week in connection with some other matters, and Secretary McAdoo requested me to call on him the following day, which I did; and this matter was presented to him at that time by one of the officers of the War Department; and I gained the impression from what Secretary McAdoo said that it was quite likely that the Government would enter into the barge-construction plan on all of the inland waters. Of course, if the Government pursues that policy, we drop out.

"Senator Nelson.—But if the Government does not pursue that policy you stand ready to go ahead—or your company does?

"Mr. Tomlinson.—Yes, sir.

"Senator Nelson.—And you can construct these 100 barges?

"Mr. Tomlinson.—We can start to build 100 barges; we can not get them all out in one year.

"Senator Nelson.—How many could you get ready for the next crop movement?

"Mr. Tomlinson.—I think we could get 30 or 40 of them.

"The Chairman.—What sized vessels?

"Mr. Tomlinson.—About 650 tons. It is a very simple matter to build these barges.

* * * * *

"Senator Nelson.—Your company has \$3,000,000 subscribed and you have made arrangements with a steel company for the steel?

"Mr. Tomlinson.—Yes, sir. We have made arrangements with the Lackawanna Steel Co.; with Mr. Clark, chairman of the Lackawanna Steel Co.; that is, the Government had agreed to release steel for us to purchase, for the construction of these barges.

* * * * *

"The Chairman.—* * * You said a while ago that if the Government undertook to build barges that would let you out—or that you would 'drop out'?

"Mr. Tomlinson.—Well, as I said to Senator Nelson this morning, I am a western man, and talk from the shoulder. I do not propose to pay the Government taxes and then have the Government in competition with me in my own business; that is, I am not going to furnish money for carrying through a proposition myself and pay some of my own money to the Government for taxes, and then have the Government enter into competition with me in that business. I do not know but what the Government effort will be far better than my own individual effort would be. That I do not pretend to say, but I do say that if the Government adopts the plan of building barges for these

inland waterways, and especially the Erie Canal barges, I am not going into that business.

* * * * *

"The Chairman.—You do not mean to say, then, that if the Government should go into the building of barges for use anywhere else, you would absolutely refuse to build barges?

"Mr. Tomlinson.—No, sir; I wish to be understood as making reference only to the Erie Canal in that matter.

"Senator Nelson.—That is limited to the Erie Canal?

"Mr. Tomlinson.—Yes, sir.

"Senator Ransdell.—About how many tons of freight per annum would you contemplate carrying in your barges under your present plan? How many could you carry normally?

"Mr. Tomlinson.—Offhand, I should say, perhaps, 2,000,000 tons. That is not a careful statement, however.

"Senator Ransdell.—About 2,000,000 tons. And about how many tons normally would you consider a fair capacity of the Barge Canal?

"Mr. Tomlinson.—Gen. Witherspoon, superintendent of public works of the State of New York, estimates the capacity of the canal as from 10,000,000 to 12,000,000 tons a year."

Mr. Smith.—As I have said, Mr. Tomlinson was appointed by the Railroad Administration, or by Director General of Railroads McAdoo, in charge of the Federal operation of the New York Barge Canal, since which time he has held the more important office of Director of Inland Water Transportation, a position the duties of which I understand have been taken over by Gen. Hines.

The important point about Mr. Tomlinson's attitude toward New York State Barge Canal transportation is that fully two and one-half years ago he believed it was a business offering exceptional attractions, to engage in which he was about to undertake the construction of 100 steel barges, when he was advised that it was probable that the Federal Government would enter into the business of transportation over New York's canals, whereupon he peremptorily gave up any further idea of such an undertaking because, as he said, he did not believe in paying taxes to the Government, as he has to do, and then engaging in competition with the Government in business, an attitude that has been taken by all who have looked into the matter of engaging in New York State Barge Canal transportation.

Mr. Tomlinson's attitude, as announced on February 4, 1918, he seems to have adhered to until this time, and this is the essential importance of the matter. The participation by the Federal Gov-

ernment, in 1918, was sufficient to prevent Mr. Tomlinson and others from engaging privately in New York Barge Canal transportation, and to this very day it still deters private citizens from engaging in such transportation business, and everything brought out indicates that private citizens will not undertake the hazard of investing their capital in a business in which they will be forced to compete with the Federal Government.

From the time the Government entered into the business private capital has kept out of it, and it looks as if it would continue to keep out of it as long as the Government remains in it.

We have, therefore, the very singular situation of the State of New York, at an expense of \$154,800,000, constructing a new system of canals, the use of which is monopolized by the Federal Government, which, through the War Department, is making the most strenuous efforts to remain in it indefinitely, to the extent of opposing proposed legislation that would exclude it from New York's canal-transportation business.

When it is recalled that one of the most important pronouncements by the Federal Government in this matter, made by Director General of Railroads McAdoo, in the fall of 1918, to a delegation of New York men calling upon him regarding New York's canals, was that it was not the purpose of the Government to permit freight rates in interstate business, partly conducted over New York's canals, to cut the rates of rail freight transportation, a statement that has never been withdrawn and which the men engaged in transportation matters have reason to believe continues to define the Federal Government's attitude toward New York State Barge Canal transportation, one does not have to look further for a sufficient reason for private interests refusing to take the risk of losing their investment by attempting to compete with the Federal Government.

The only remedy for this situation, as I see it, is that the Federal Government should be excluded from engaging in the transportation business upon New York State's canals. Otherwise the people of the State of New York, who are being taxed to meet interest on and amortize the bonds issued for the construction, equipment, and maintenance of the Barge canal, will be prevented from enjoying any return whatever from their investment.

STATEMENT OF MR. THEODORE BRENT, FEDERAL MANAGER OF
THE MISSISSIPPI-WARRIOR SECTION, MISSISSIPPI-WARRIOR
SERVICE, WAR DEPARTMENT, NEW ORLEANS, LA.

Mr. Brent.—Mr. Chairman, I have very little to say. It would be useless for me to try to elaborate very greatly on what Gen. Hines stated.

There are just two or three points I want to make clear. In the first place, I think you gentlemen all have this circular issued by the Mississippi-Warrior Service before you. I would call your attention to the map on page 24. There are other maps of a similar nature, but I want the gentlemen to get clearly in their minds the one thing which is clear to any one who has attempted to do business on the waterways in the interior of the country to-day, and that is that a waterway is but a part of a vast transportation system in which the railroad must necessarily play the larger part. And the greatest value of the Government's operation to-day is not on the Mississippi River in the \$8,000,000 worth of equipment which is there, but in the presence on that waterway of a responsible concern capable of being sued or of suing, capable of entering into joint-rate contracts with every railroad corporation in the country, by the means of which the people of all of the States shown on that map enjoy joint rates on every class and commodity of freight which they ship or receive or consume, in every direction, on every commodity, cheaper than the all-rail rates of the railroads. So that the man in Michigan and the man in Minnesota enjoys the same saving as the man on the Mississippi River, on everything that he ships or receives.

Now it may be possible, for that thing can be done by the individual on the New York Barge Canal. I do not know anything about that, nor do I offer any suggestion or opinion concerning it; but in the Mississippi Valley, for 20 years there has been no corporation which cared to undertake the hazard of its capital in that undertaking, because of the attitude of the law as to water carriers and the attitude of the public was not right. And to-day we have the first semblance of a law which protects the water carrier in the interior of the country. The Esch-Cummins law is the first one which has in it elements of protection to the man who wants to invest his capital in water transportation.

Now, the Government in this section is pioneering the return of that operation. There is no doubt in my mind but what private capital will follow. It is following on the Mississippi River. We have competition from four or five different operations, who are handling their own freight and the freight of the public. There is no interference as far as we are concerned in their operations; we are encouraging them to go ahead.

Mr. Newton.—Do you find any opposition there from these private corporations to your operation?

Mr. Brent.—None whatever. They are cooperating with us in the utmost particular, and we help them where we can. When they get stalled and need help we tow their barges; when we need help we turn to them. We exchange fuel with them and we work in the utmost harmony with them.

Mr. James E. Smith.—Isn't it true, Mr. Brent, they frankly admit that this operation by the Government will lead to ultimate benefit to them; they realize that very fully?

Mr. Brent.—I have heard no other attitude expressed, and I have heard the attitude expressed constantly that if it took from three to five years of so-called unprofitable operation to iron out the inequalities which have killed water operation in the interior of the country, that the money of the Government would be well spent, because it would lead to a condition in which private capital could live.

Now, there are one or two things that have been brought out by the questions that I want to suggest. First, however, it is true there is a congestion of 15,000,000 bushels of grain at Buffalo which was moved from the territory which we occupy with our operations. It was moved there on the faith that it would be carried on from Buffalo by some agency and gotten to the seaboard. There is a very strong obligation on the part of somebody to carry that grain to its destination, for if it had not been taken to Buffalo on that faith it would have moved down the Mississippi River, our way, at equally good rates, where the equipment and service is available. There is not any State nor any city in any State in the territory west of the Mississippi River but what can get

grain to the seaboard at New Orleans as cheap as it can get it to New York; cheaper, in fact, because the rates are made lower to the Gulf in order to equalize the ocean difference against the Gulf to the United Kingdom and Europe. So that no man suffers to-day by being tied up to any one route. We are equally able to carry the grain to the Gulf as to the sea.

The chairman asked Gen. Hines concerning the most economical character of equipment for operation on inland waterways. I think, as it occurs to me, the thing you were striving for was to find out what was the size of tow, the proportions, best calculated to give profitable operation. Our barges on the Mississippi River have been made of 2,000 dead-weight tons capacity, because they were designed particularly for the through movement, and because there is a large through movement which would make those carriers profitable. That, however, does not bar these smaller units, because we do not find it a profitable operation to take one 2,000-ton barge down the stream — we combine in our tows five of those barges and take 10,000 tons down the stream. Now, it simply becomes a question whether we can take five 2,000-ton barges down, or enough 600-ton barges to make up the same aggregate tonnage. We need different units of different size for different characters of service, and it is not good policy to a line of this kind to build all of the barges of the same size. It is true the depth of those New York Canal barges is somewhat against their use, but it is not a bar by any means. They would be better if they were longer and wider and flatter, but they would not be unprofitable in our operation, because we can load them to their marks at any time of the season and get a full load out of them on the Mississippi River — a thing which can not be done on the New York Barge Canal. Those were the points which I particularly wanted to stress.

I think Gen. Hines has told you we not only have use for all of this equipment, but it is urgently needed, and, within a very short time, if this proposition of our Mississippi-Warrior Service is to be continued and extended, to fulfill its full destiny, we must come before you for a sufficient appropriation to buy equipment of this character if it is dissipated in this instance.

Mr. Hamilton.— Your business is entirely through business — St. Louis to New Orleans?

Mr. Brent.— That is all we have thus far been able to undertake. The local communities are clamorous for service. We have not been able to stop at Vicksburg or Natchez, or any of those other points, because, first, the terminals must be properly equipped, and second, we have not had the equipment.

Mr. Hamilton.— That would contribute pretty largely, would it not, to the river traffic, if that business could be reached?

Mr. Brent.— Enormously.

Mr. Hamilton.— What is the plan to relieve that situation?

Mr. Brent.— I pointed out to Gen. Hines that these small-self-propelled barges, with convoys of one or two of the small Erie Canal unpropelled barges, could be used most advantageously in the local service.

Mr. Hamilton.— How would you use the unpropelled barges?

Mr. Brent.— By towing them with the self-propelled barges. These barges are all equipped with a scow bow and towing knees, so that they can push a small boat in front, the same as they have to do on the canal.

Mr. Hamilton.— Is there any prospect of reaching this way business — this intermediate business?

Mr. Brent.— Only by the provision of more equipment. The present fleet will be fully occupied in the through service and was not particularly well designed for local business. So that we would eventually come before your body or some appropriate committee of Congress for an appropriation to build that character of equipment if we have not it provided for us by the Government now.

Mr. Hamilton.— That is, you do not think out of the business itself such an investment can be made?

Mr. Brent.— I do not quite understand your question, Congressman.

Mr. Hamilton.— You mean there must be an independent appropriation; that the business itself can not be so increased as to pay for such an increase out of itself?

Mr. Brent.— You mean out of the earnings of the line itself?

Mr. Hamilton.— Yes.

Mr. Brent.— The earnings will contribute. I say that with the utmost assurance.

Mr. Hamilton.— That is what I was getting at.

Mr. Brent.— They won't contribute this year, Congressman Hamilton, because we have not yet a single horsepower of the new power which has been provided for our operation. We have nothing but the old uneconomical towboats. We have not a single terminal completed. We are operating at great expense in the transfer of freight there, an inordinate expense, which was not warranted except by the fact we were told to go to work as a war operation, and we had to do the best we could until we got the things prepared for us. So that the terminals are not prepared for us, and I hope we will have only one year and not more of unprofitable operation, because we have not had the things that were planned for us. But when we do get those things the earnings will contribute a portion of the new equipment. I confidently believe it; I know it.

Mr. Sims.— In the meantime if any private capital or private business wants to go into this business they will not be interfered with?

Mr. Brent.— Not in the slightest, except for this thing, that for years the rate adjustments up and down the Mississippi Valley between port and port have been so depressed that the railroad men themselves have never justified those rates on the ground that they paid the cost of operation. They said: "Those rates are simply put there as an expedient; they pay what we call the out-of-pocket cost"; and they never were able to demonstrate the fairness of the rates.

Mr. Sanders of Louisiana.— They were built to prevent potential competition?

Mr. Brent.— They were built on the theory of potential water competition; they were not built on the theory of actual water competition, because it was not there. But when we compare our gross earnings for the year with the gross earnings of the similar service on the most important railroad with which we compete, our earnings are not 80 per cent, as the rate basis would indicate, but only 60 per cent of their actual operating earnings; because the rate basis in which we are injected is so much lower than the normal basis that it only produces 60 instead of 80 per cent of the normal earnings. Now, into that you must put the private carrier, who can not negotiate joint rates and reach out into the territory beyond, where the high rates exist, and he can not get any portion of the high rate business in which we get our best earnings by reason of joint rates.

Mr. Sims.— The privately owned vessel could not make a through-rate arrangement, such as you already have, in this territory with the railroad, but would have to go against the situation as it heretofore existed in which the railroads have carried freight not because there was water competition but to prevent the possibility of there ever being any water competition?

Mr. Brent.— Precisely.

Mr. Dewalt.— Do you know what is the occasion of this retention of 15,000,000 bushels of wheat up there in Buffalo?

Mr. Brent.— Why, there has not been equipment enough up there to carry it down, that is all.

Mr. Dewalt.— That is the reason?

Mr. Brent.— That is all I know of.

Mr. Dewalt.— Comparatively speaking, if you know, what is the shipment of grain down the Mississippi in relation to the shipment via the Erie Canal from Duluth down to the Gulf?

Mr. Brent.— If you mean the Mississippi River itself, there has been no movement for the last 20 years — no movement whatever. There has not been a barge on the river to offer through

service, nor a steamboat, in my entire experience in the railroad business, which covers now a little over 20 years.

Mr. Dewalt.—And that in spite of the fact that the rate was so made as to equalize the difference in ocean carriage.

Mr. Brent.—Because of the fact that the rate was so made by the railroads that it was so low that it did not pay the cost of operation. That is the fact.

Mr. Dewalt.—Either you or Gen. Hines stated that the rate was so fixed. Gen. Hines stated that it was 2 cents per hundred-weight lower —

Mr. Sanders.—That is, on the Erie Canal?

The Chairman.—That is the present rate.

Mr. Dewalt.—That is the present rate, yes; it was 2 cents a hundred lower going down the Mississippi River to New Orleans than it was over the Erie Canal; and the reason he gave for that was to equalize the difference in the length of the journey across the ocean. Now, is that so?

Mr. Brent.—That is substantially true.

Mr. Newton.—When did that rate go into effect?

Mr. Brent.—He will get to it, I think.

Mr. Sanders.—When did it go into effect?

Mr. Brent.—Those rates have been advanced in the last year, materially advanced, in both directions. The whole schedule has been raised until there is an earning in it for the water line in either direction. But it has not existed for 20 years.

Mr. Dewalt.—I understand heretofore grain has moved down from the Lakes to the seaboard over the canal instead of down the Mississippi, and you hope that situation will be relieved by the rates and by additional facilities. Is that it?

Mr. Brent.—It will be relieved.

Mr. Newton.—Have there been any facilities?

Mr. Brent.— There have not been any facilities; the facilities were killed on the Mississippi River, Judge, not because of the low rate, but because the railroad was permitted to make any rate it saw fit.

Mr. Bland.— I just simply want to suggest, to clear up the question brought out by Judge Dewalt, when Mr. Brent replied there was no movement of grain on the Mississippi River, he probably meant on the water.

Mr. Brent.— I had in mind on the water.

Mr. Bland.— But there is a movement on the river.

Mr. Brent.— The normal rate, Mr. Dewalt, from St. Louis to New Orleans, over a long period of years, has been 12 cents per 100 pounds. However, whenever a boat stuck up its head and offered to take grain, the railroad reduced that rate to any figure it saw fit and it carried any grain which went into competition with the water down to as low as 5 and 6 cents per 100 pounds. By that means the boat was killed, and in the last 20 years there have been no boats and because the railroad could do that at any time it saw fit, no boats were put on.

Mr. Dewalt.— If this Federal control, under the supervision of the War Department, remained as it is now and if the equipment now held by the War Department and that in process of construction was retained under the supervision of the War Department and if, as Gen. Hines said, it was the purpose of the War Department to either retain it where it now is or to divert it where it would be for the best use of the general public, then is it fair to say, if that is so, this traffic will be resumed upon the Mississippi and consequently this great congestion at the port of Buffalo, which is there to-day, will be relieved?

Mr. Brent.— That is rather a difficult question to answer. The grain which is already at Buffalo must necessarily move out.

Mr. Dewalt.— I mean in the future.

Mr. Brent.— In the future we will have two routes open by water from Chicago, St. Louis, and the head of the Lakes, which

are the three basing points for grain. You will be able to take it out from Chicago by water, or Duluth by water, or be able to take it out by rail and water and by water from St. Louis. We will have equipment on the New York Barge Canal capable of taking it eastward, and we will have equipment on the lower Mississippi capable of taking it that way. The point I wanted to make was that whatever you do with the New York Barge Canal we still have now a water route open from the basing points for the western grain to the South, and we are hauling it.

Mr. Dewalt.— Except from Chicago; you would not have grain from Chicago for the Mississippi?

Mr. Brent.— Not for the next few years. We have joint rates from Minneapolis and Duluth, which are the northern gateways; we have those by rail to St. Louis and by water beyond, and with identically the same savings.

STATEMENT OF HON. CLEVELAND NEWTON, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MISSOURI.

Mr. Newton.— I think I am expressing the sentiment of the people of the Middle West when I say we do not want to take anything away from New York, but our attitude is this: If the Government operation of its barges and towboats on the Erie Canal is destructive to the interests of New York, the people along the Mississippi River will be pleased to have the Government operate such equipment there where it will be of great service in relieving our dreadful congestion in transportation.

The objection has been made by some gentlemen who are in favor of this resolution that they are opposed to all governmental operations. In my judgment, if the Government owns equipment it ought to operate it. For the Government to own the equipment and to turn it over for private operation is going further than the Government operation of its own equipment, and I think, therefore, that what these gentlemen request is going a step further than Government operation.

Reference has been made to the success or failure of the barge line, and the argument has been made for New York that the

State has been damaged by this Government operation and, as I understood the gentleman yesterday, who made the opening argument; he contended that, as a matter of just compensation, this equipment ought to be turned over to New York without charge. We are opposed to that suggestion. It has also been suggested that this equipment be leased to somebody. We think, if you are going to lease the equipment to any one, it ought to be leased upon a compensatory basis.

There is one thing I find about river navigation which is not generally understood. I did not understand it until I began to study this river question. I never knew the extent to which the railroads up and down that river have gone to destroy commerce upon the rivers when the river and harbor bill was up. I wired down to New Orleans and had a representative go to the railroads and get the rate on 100 pounds of sugar from New Orleans to St. Louis and the rate on 100 pounds of sugar from New Orleans to some point on a rail line off the river. I found the rate on 100 pounds of sugar from New Orleans to St. Louis, 700 miles, was 44 cents; I found the rate on 100 pounds of sugar from New Orleans to De Queen, Ark., 361 miles, a little off the river, was 50 cents — half the distance and a greater rate.

I wired to St. Louis to get the rates south, and I found the rate on 100 pounds of hardware from St. Louis to New Orleans, 700 miles, was 44 cents, while the rate from St. Louis to a point only 50 miles off the river, and 100 miles less than the distance to New Orleans, was 87 cents. In other words, the railroads have been carrying freight on their lines between river points at 50 per cent of the rate which they charge for carrying freight between inland points.

The barge line is operating on the Mississippi and Warrior Rivers and they tell me that last month their actual losses were only \$15,000. Under the railroad bill which this committee reported out and which is now the law the railroads are prohibited from hauling freight at a rate which is not reasonably compensatory. When the Interstate Commerce Commission puts that provision into effect the railroad that runs up and down the river will have to put on a rate that is compensatory and when that

time comes the rail rate between river points will necessarily have to be about double what it is now. And if the river rate is to be 80 per cent of the rail rate, as the Interstate Commerce Commission has ruled, instead of hauling commerce at 40 per cent of the average cost of handling commerce between inland points throughout the country, as they are doing now, the barge line will get 80 per cent. In other words, their income will be doubled and instead of having a loss of \$15,000 per month they will have an enormous profit.

The transportation situation with us is distressing. They talk about freight between these intermediate points. The truth of the matter is we have not nearly enough equipment to carry the through freight between New Orleans and St. Louis. Mr. Smith tells me that when he left St. Louis there were 100 carloads of freight standing on the tracks near the docks waiting to be loaded upon the barges.

Mr. James E. Smith.—In addition to the accumulation in the warehouses.

Mr. Newton.—And the warehouses were full. When I was down there I went into the warehouse, and I found stored away waiting for delivery commerce from all over this globe—from Liverpool and many other points in Europe to this country and going from this country to Europe. And the difficulty has been that the Interstate Commerce Commission has recognized, or seemed to recognize, that it was its duty to protect rail transportation to the destruction of every other form of transportation, and this policy has driven commerce off of the rivers, and it has been done with governmental sanction. But just as soon as this railroad bill goes into effect, just as soon as it is put into operation and the rates are made compensatory upon railroads up and down the river, and the barge rate is made at 80 per cent of that compensatory rail rate, there is not a doubt in the world but what the barge line will not only be self-sustaining but that it will yield a splendid income to the Government. Here is the unfairness of this whole situation. I have talked to these gentlemen from New York—Mr. Dempsey and others—regarding the

improvement of our rivers, and they say to us, "We have spent a lot of money on the Mississippi River, where are your boats?" But the reason privately owned boats are not there is shown by the facts given here today. They have been driven off by destructive competition, which has been sanctioned by the Interstate Commerce Commission and which has cost the railroads of this country hundreds of millions of dollars.

I think one of the most regrettable things of this whole governmental operation was the fact that during the war we had one arm of this great Government, under Mr. Tomlinson, director of barge lines, spending \$10,000,000 building barges and towboats to try to put commerce on the river, while at the same time the Railroad Administration, another arm of the Government, was carrying commerce on rail lines, paralleling the river, at 50 per cent of the cost of transporting such commerce, trying to drive commerce off the river. I think this barge-line experiment ought to be carried out, and I have no doubt but that the result will demonstrate the practicability and success of river navigation.

The Chairman.—Was not Mr. Tomlinson under the United States Railroad Administration?

Mr. Newton.—Yes. I want to comment on that. It is not fair to make the charges made by the gentleman from New York, that governmental operation of the barge lines has been a failure. Mr. Tomlinson, under the Railroad Administration, in charge of this little barge-line equipment which at that time was not fit for operation, was drawing the same salary that the Director General of all the Railroads of this land was drawing. And I can tell you that men whose hearts are with the river and who realize its importance to this country grew heartsick at the overhead charges during that operation. I am pleased to see that Gen. Hines is reducing the cost of operation of this barge-line experiment.

The Chairman.—The Federal manager has been discharged, has he not?

Mr. Newton.—I think he has.

The Chairman.— He drew \$15,000?

Mr. Newton.— Mr. Tomlinson drew \$25,000; the Federal manager drew \$15,000; and they had a traffic manager on the Mississippi section who drew \$10,000. And I was told the printing bill was over \$200,000.

Mr. Sims.— You will also remember I put in the record that the railroads for 1917, before they were ever taken over, paid salaries as high as \$100,000 per annum to their presidents, all of which was charged to operating expenses. And all these Federal managers were railroad men that were railroading and receiving railroad compensation, and were put in by the Director-General perhaps in every case for not exceeding the salary they were then drawing and perhaps in many other instances for less. I know Mr. Hines only got \$25,000 when he had gotten \$75,000 before.

Mr. Newton.— I am told that the other day there was one cargo went out of St. Louis — Mr. Smith, what was the net profit on that cargo?

Mr. James E. Smith.— I think about \$20,000.

Mr. Newton.— About \$20,000 on one cargo. Here is the situation: This argument made by Mr. Dempsey, of New York, and some of these other gentlemen to get out of all governmental operation should be disregarded. The truth of the matter is we have not carried this experiment to a point where its success or failure has been fully demonstrated. They have not a single one of the new power boats. I was down at St. Louis the other day and I went down to see the christening of two of these new big self-propelled barges, and out in the river one of the new steel barges was being towed around. It was built for the upper river to be used between St. Louis and Minneapolis. That big steel barge was 300 feet long and 50 feet wide. It looked like a sea-going vessel. I was told by a man who made the experiment that he sent one towboat up to St. Paul and loaded down to draw only 3 feet of water and carried down from St. Paul to St. Louis 25 carloads of iron ore — 650,000 tons. If we had the sand bars taken out of that river so that they could be loaded down to 6

feet, think what a burden they would carry. And that towboat could have carried four barges as well as two. The potentiality of these rivers is beyond calculation.

The truth of the matter is the New York ports and the eastern lines are being congested with traffic of the Mississippi Valley which ought to go out naturally over the Mississippi River, and which will go out naturally over the river when the rates have been adjusted and the river improved and when all of the provisions of this railroad bill which this committee reported out, and which is now law, have been put into effect by the Interstate Commerce Commission. When that time comes there is not any limit to the amount of commerce that will go over that river. The trouble I have as a Representative from St. Louis is to meet the protests which come to me from the shippers because they cannot get space on the barges. We have unlimited quantities of brick, tile, and different forms of manufactured iron. The screw people and the wire-rope people and many others are continually protesting that they can not get space on the boats. I think if we had four or five times the barges that are now being completed, we could not carry all the commerce even between St. Louis and New Orleans, and the only way, in my judgment, to relieve this congestion of transportation over the rail lines, is to open up the rivers and to utilize them; and if we can use the rivers in carrying a lot of that stuff which is now going by rail to the seaboard to go overseas, we could release thousands of cars which could be used on the eastern railroads, and a lot of those cars which now carry grain from the valley to the seaboard would no longer be needed there.

We have gone far enough with this experiment to be convinced ourselves, but the country is not yet convinced. The test has not yet been fully made and won't be made until the equipment comes and the rates are adjusted and the barges are given an opportunity to operate under favorable conditions, and when that time comes I have no doubt about the result, and I have no doubt but what in the future the rivers will be used.

The truth of the matter is that if the Interstate Commerce Commission by its rulings, and Congress by a lack of legislation, had not permitted the railroads to resort to the destructive competition

which I have described, the commerce on the river which was there in abundance in the seventies would be there to-day, except it would be multiplied manyfold.

STATEMENT OF MR. JAMES E. SMITH, OF ST. LOUIS, MO., PRESIDENT OF THE MISSISSIPPI VALLEY WATERWAYS ASSOCIATION.

Mr. Smith.—It seems to me the points have all been so thoroughly covered it would be entirely wrong for me to take up the time of you gentlemen in discussing them further. I am here directly to represent the Mississippi Valley Waterways Association. Mr. Newton has covered the situation as far as we are concerned. He has called your attention to the fact that when I left home last Tuesday there was over 100 carloads of miscellaneous freight at the dock waiting to be taken down the river on the barges. I am satisfied, if I could get the information to-day, that that number of cars has greatly increased, because they are coming in there at the rate of about 50 cars per day. I know Memphis has suffered terribly for the same reason; they have been shipping large quantities of cotton to New Orleans and are anxious to ship a great deal more, but can not do so because they lack the boats and barges to carry the stuff through.

Mr. Hamilton.—This immense amount of freight you speak of destined down the river, is that generally intended to go to points along the Atlantic seaboard or where?

Mr. Smith.—Joint rail and water rates are in effect now, as explained by Mr. Brent, by way of Memphis, to certain points in Tennessee and Mississippi and also certain points in Arkansas. Quite a large proportion of that freight is destined to those interior points. They are now beginning to take advantage of those joint rates, and have not done it heretofore because Memphis has not provided the dock facilities. But they are now beginning to take advantage of those rates and they are using them.

Mr. Hamilton.—That is, it is not transshipped at New Orleans, but is delivered at the points along the river?

Mr. Smith.—Interior points. We have claimed that the points off the river have just as much right to whatever benefit they can secure from the use of that river as the points actually on the river.

Mr. Hamilton.— There is no doubt about that.

Mr. Smith.— That operation is now going on and will be extended enormously in the near future, when the cities along the river build their terminals. And I want to say for the information of the gentlemen of the committee, because I think the question is in your minds, as to what extent the cities between St. Louis and New Orleans are building new terminals: Cairo is now at work on a system of terminals; Greenville, Miss., has now an appropriation, I think, of \$200,000, and they are at work; Helena has appropriated \$300,000, and they are at work. The Government is putting in transshipment terminals for the handling of freight for transshipment, water and rail. They are putting in a terminal at East St. Louis and also at Vicksburg, and that problem is being worked out. The great volume of business done up to this time has been between the two points of St. Louis and New Orleans. However, the present equipment is offered more freight than it can handle even between those two points. Of course you understand a large quantity of that is export business, but the operation thus far has demonstrated that if we had had sufficient equipment we would have handled four or five and possibly ten times the amount of freight we have handled up to this time. The business is there; there is no question about that. And as a business man I want to say I am now thoroughly convinced, beyond any question, that the operation on the Mississippi River will be profitable when we get all of the new equipment at work.

Mr. Sweet.— Mr. Smith, you do not necessarily contend for Government ownership and operation of the boats and equipment simply to initiate this matter; and as the times goes on and it is demonstrated to be a success you believe private enterprise will then step in and the Government will be relieved of this operation and control of the boats?

Mr. Smith.— Most assuredly. I would like to answer that question a little more fully. I am as violently opposed to Government ownership and operation on the Mississippi River and elsewhere as any man you can find; but owing to the conditions that have been explained so clearly by Mr. Brent it would be impossi-

ble even yet, in my opinion, to organize a private corporation to operate boats on the Mississippi River. Just as soon as the new law has gone into effect and the Government has firmly established the business beyond any question and has demonstrated that it can be handled successfully financially, there is no doubt in my mind whatever that private interests will purchase the equipment and continue its operation. I believe I would guarantee personally to organize a company in St. Louis in 10 days to take over those boats and operate them. There is no question about that in my mind at all. I am satisfied that is what will and should be done.

Mr. Sanders of Louisiana.— May I ask you a question right there, just for my own information: If the Government takes the risk of inaugurating this service and makes a success of it and it becomes a revenue producer for all of the people, where would be the common sense of the Government turning what it has over to some private individuals to let them make the money that otherwise would go into the Treasury?

Mr. Smith.— I will answer that by saying the great majority of our people are against Government operation. Of course, the Government would always have certain control of the operation on any Federal waterway.

Mr. Sanders of Louisiana.— You do not catch my notion. I said this: If the Government inaugurates this system and if it proves to be a profitable venture, as you have just stated in your opinion it would be, and that it would be so profitable you say you would guarantee within 10 days to get the business men in St. Louis to take it over, they would only take it over because they thought it was profitable?

Mr. Smith.— They would take it over because they wanted to continue the operation, of course, and they would take it over largely because they thought it to be a profitable investment.

Mr. Sanders of Louisiana.— If it is profitable and makes money for all the people, why should we not continue to operate it as a Government proposition?

Mr. Smith.— You undoubtedly believe in Government ownership —

Mr. Sanders of Louisiana.—No; I am asking you the question.

Mr. Smith.—I am opposed to Government operation as a general proposition.

Mr. Sanders of Louisiana.—You do not believe the Government should operate a business which it has inaugurated and made a success?

Mr. Smith.—In this case I do not.

Mr. Sweet.—You do not believe in the Government going into private business or otherwise?

Mr. Smith.—Not in competition with private individuals.

Mr. Doremus.—I understand you are very much in favor of it only for the purpose of establishing the business?

Mr. Sanders of Louisiana.—I am in favor of it on the river and everything that goes with it; I am in favor of it, as you know. But is the Government to-day in competition with anything on the river?

Mr. Smith.—Yes, sir. That has been explained.

Mr. Sanders of Louisiana.—You do not go up the Mississippi River very far, do you?

Mr. Smith.—There is not any great movement, but there are boats still being operated on the river by private parties and they are not making any objections at all to operation by the Government.

Mr. Sanders of Louisiana.—The Mississippi River traffic has disappeared practically in the last 30 years?

Mr. Smith.—We all know why.

Mr. Sanders of Louisiana.—Absolutely; because the railroads ran it off.

Mr. Smith.—I want to say one thing, that the last big movement on the river, the Anchor Line, did not quit because it was unprofitable. As a matter of fact, Mr. Harstick made an enor-

mous fortune out of that boat line. But the tactics employed by the railroads in competition with it became so harassing, that finally when J. Gould offered him a great big price for his equipment, more than it was worth, and having already made a fortune out of it, he concluded to get out of the business, and then the boats were tied up on the river, along the banks, and allowed to rot.

Mr. Sanders of Louisiana.—One other question: What guaranty, could you, as a business man, give to me that if the Government built up a successful transportation system on the Mississippi River, and which would redound to the great benefit of the people and, at the same time, became a profitable venture to the Government—if the Government should permit that venture to go into the hands of private individuals, what guaranty could you give me it would not again disappear?

Mr. Smith.—Because I think under the present laws, laws we hope will continue in the future, that sort of competition which we have had in the past would be impossible and we would not be subjected to any such ruinous competition again.

Mr. Sanders of Louisiana.—You do not think the same conditions could arise again?

Mr. Smith.—I do not believe they can.

Mr. Sanders of Louisiana.—But if they did arise, then the traffic on the river might again be driven off?

Mr. Smith.—Possibly. Under those conditions, I do not believe private operation ever would be successful on the river if subjected to that sort of ruinous competition.

Mr. Newton.—I made a reference to some expense in connection with printing, and Mr. Brent, who is familiar with it, wants to explain that.

ADDITIONAL STATEMENT OF MR. THEODORE BRENT.

Mr. Brent.—I want to nail a fact, Mr. Chairman, which I think is of value to the committee. The question of the expenses of the barge line in the matter of printing was brought out, and

has been brought out repeatedly, and the committee should know the facts. The printing bills of the barge line for the last year were heavy. The printing bills were for this series of joint tariffs, those which give the rates between New Orleans and this vast territory between St. Louis and the Warrior River section. That series of tariffs cost the Government \$135,000. I was the traffic manager who authorized them. I authorized them in order that the people in each of those States might have the benefit of those joint rates. It is a series of 75 tariffs. I expect within those tariffs there are 100,000,000 individual rates. I believe I am conservative in that statement. Those figures are so large they do not comprehend anything — hardly. But here is the fact: We asked for authority to put those rates in in June. We estimated that the cost would not exceed \$60,000 for the series of tariffs. The interstate commerce law requires that every station at which those rates apply shall have at least one copy filed in the agent's office. That distribution had to be made under the law, and under the rules of the Railroad Administration the entire cost of distribution had to come upon us as the publishing agents.

Mr. Smith.—The railroad really should have shared that expense?

Mr. Brent.—Under normal conditions they would have; under normal conditions of the railroad each line would have paid its share of the expense. Those tariffs were published, but we did not get our authorities to begin the publication of these rates until the middle of November, and our authority to publish them expired with December 31, the then expected expiration of the Railroad Administration. Now, we necessarily had to get those tariffs in at that time or our authorities went, and when the railroads went back to private control you know what rates we would have gotten.

We took this opportunity to get a basis of rates which we could not have gotten by the ordinary processes in a period of five years. We have gotten a basis of rates which can not be taken away from us. But because of the delay in getting our authorities and because at the last minute we were compelled to go to Chicago and St. Louis and every other point that could publish tariffs and

pay overtime and pay clerks for Sunday and overtime work they cost us \$130,000 instead of \$60,000. That is the fact about the printing bill. But we have there [indicating] something which is of value to the barge line and to every citizen of every State in that territory for a long time to come.

And I wish you to bear in mind, also, that that operating deficit was charged against a year of operation in which there was not a single dollar's worth of business produced by any one of these rates, because there was not a single one of those rates effective during the period of operation in which the deficit was incurred and in which the expenses was necessarily incurred.

Mr. Sims.—But the fact is the public will be benefited to the extent of millions of dollars by those rates?

Mr. Brent.—And not only that, but it shows the fallacy of trying to charge this publication of rates, which is a construction cost, against this little unfinished line, with not 10 per cent of its normal equipment.

STATEMENT OF HON. HENRY GARLAND DUPRE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA.

Mr. Dupre.—Speaking for my colleague, Representative O'Connor, who is present, and myself, I desire to say we have no opposition to register to that phase of the resolution which proposes to return the New York Barge Canal to the State of New York, but we are opposed to the amendment that was inserted in the Senate that proposes to dispose of the Government equipment now on that canal. Our views are embodied in a resolution adopted by the New Orleans Board of Trade on May 14 last, which resolution has been indorsed by the New Orleans Cotton Exchange, by the New Orleans Stock Exchange, and the New Orleans Clearing House, and I will read it to the committee, as I think it sets forth the case very clearly:

Whereas, a joint resolution has been introduced in the Senate by Mr. Wadsworth of New York providing for the discontinuance of the Federal Government's commercial transportation upon the New York Barge Canal and the disposal, by sale or otherwise, of the floating equipment built by the Federal Government for this service; and

Whereas, we sympathize with the people of New York in their desire to develop their inland waterways to the maximum of their capacity and in their anxiety to repel any interest, either governmental or private, which may in their judgment, menace that growth: Therefore be it

Resolved, That we point out to Congress that the boats, barges, and other floating equipment built by the Federal Government for this service are the property of the whole of the citizens of the United States; that we emphatically object to the suggestion of certain citizens of New York that this Federal property be turned over to the State of New York as liquidated damages for the Federal use of the State's canal during the war period, or to the sale, lease, or charter of this equipment at a sacrifice on any grounds whatever to the citizens of New York or any other State.

We respectfully call the attention of Congress to the fact that the business interests of this community are pledged to support the Secretary of War in his efforts to re-establish common carriage on our inland waterways in order that every available means may be utilized to overcome the serious shortage of transportation so distressing to this section, and we urge that in case Congress finds it desirable to direct the Secretary of War to discontinue the service on the New York State Barge Canal, in place no restrictions upon his freedom of action in disposing of the Federal property now employed in that service, but rather permit him to reassign these boats and barges to augment and extend the service in our section where the national waterways are ready and the communities urging the establishment of increased Federal barge service.

That resolution, Mr. Chairman, was selected by Gen. Hines, as typical of many he had received, to be placed in the record; but he placed in the record, but he did not read it to the committee. I thought it covered the case so succinctly and so pointedly that I took the time to read it.

STATEMENT OF HON. WALTER WARREN MAGEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK.

Mr. Magee.—Mr. Chairman, I won't take up but a moment of your time, but my district, especially the city of Syracuse—the Erie Canal ran through the city, and the Barge Canal is the successor of the old Erie Canal—is very much interested in this proposition.

It seems to me that we have been drifting away from the real question before the committee. You can not take the Barge Canal that has been constructed and is owned by the State of New York, and compare operation upon that with operations upon the Mississippi River or the Warrior River or any other river. The only

question here is one of policy to be determined by the committee, as to operations upon the Barge Canal of the State of New York and the great public benefits to be derived from its efficient operation by all parts of the country. And it seems to me that the consideration ought to be limited to that proposition.

In the first place, these barges were constructed for use upon that canal, and the people of New York want them to remain in operation upon the canal, and we think that such a course will be of great benefit to the country, especially the great West, the Middle West, and Northwest.

Beyond all that is this fact, that we want to encourage private ownership and operation upon this canal, and our people do not feel that this can be done if private ownership and operation have to come in competition with governmental ownership and operation. And that is the only question here. We do not want the boats to leave the canal. They are needed there and it seems to me that the committee ought not to have much difficulty in reaching that reasonable conclusion.

As to the suggestion made by the superintendent of public works of my State, which I understood is personal so far as he is concerned, that these barges should be given to the State, I do not concur in that idea at all. Speaking for myself, and I think for my people, that is not our idea. The people of my city, as far as I know and at least so far as I am concerned, do not expect or desire that the Government give any of its property to them.

We only desire to be protected in the operation of these barges, a matter which can be taken care of by the Government either by way of lease or the sale of these boats. They need not be leased nor sold at any sacrifice to the Government, because the Government is the sovereign power and can fix the terms of the lease or the price of the boats. It can make a fair appraisal in either case. We think that it would be much better for the Government to cease the operation of these boats upon the canal and to sell them; but the Government has the power to fix the price and to attach conditions of sale under which the boats shall be operated on this canal. But there are these two main propositions that my people stand for: First, that the boats shall remain on the canal, and,

second, that competition between private ownership and the Federal Government shall cease. Those are the two ideas, it seems to me, that are legitimately the subject of consideration by the committee.

The Chairman.— Would the leasing of the boats by the Government discourage private initiative ?

Mr. Magee.— I do not think so, if they were leased at a fair rental value. But that is not what my people desire. We are not in favor of Government operation, and we would be glad to see the Government get out of business on the canal.

The Chairman.— Well, if you leased the boats, the Government would go out of business.

Mr. Magee.— Yes. I am only giving you my views as to what I think would be the best way. And I will not take any more of the time of the committee.

But I wanted to suggest that these two ideas are in the minds of our people: First, that we want those boats to remain there and be operated on our canal. They can not be replaced this season, as you can readily understand, as the canal season has already opened. And, second, our people do not want to be placed in the position of being in competition with the Government. You can readily see that private capital will not become interested with that condition existing.

Mr. Denison.— If the people of New York do not want the Government operating boats on the canal and would rather have the Government get out of it, do you not think the best thing for us to do would be to authorize the War Department to fix a fair value on the barges that they have there and offer them for sale ?

Mr. Magee.— To be operated upon that canal ?

Mr. Denison.— Well, I mean offer them for sale; and do you think there are interests in New York who would pay what they are worth ?

Mr. Magee.— I have not any doubt about that. Thank you very much, Mr. Chairman.

Mr. Doremus.— I have not heard all the testimony, but I am interested in learning to what extent, if any, private boats are now being operated on the New York Barge Canal.

Mr. Magee.— I only know that, as it has been developed here, the boats under private ownership constitute two-thirds of the total tonnage and those of the Government one-third.

Mr. Doremus.— What I want to get at is that the other two-thirds are now operating on the canal; they are all in operation?

Mr. Magee.— I understand that they are.

The Chairman.— They are on the canal; I do not know whether they are operating or not.

Mr. Doremus.— Are they operating to move that 15,000,000 bushels of wheat that it has been testified are tied up at Buffalo?

Mr. Magee.— I understand that they are doing the best they can. Of course, you understand that our canal does not open, as a rule, until about the middle of May.

Mr. Parker.— It opened the 10th of May this year.

Mr. Sims.— Private interests have about 790 boats on the canal and the Government has less than 100.

Mr. Parker.— Within the last few years, and, in fact, since 1916, has not the type of boats used on the canal been entirely changed from the old mule-driven boats used on the old canal to the power-driven boats used on the barge canal?

Mr. Magee.— Yes; in changing the canal to the barge type.

Mr. Parker.— I think the committee does not understand that the reason why there are not more boats on the canal is that the Government took it over during the period of transition from the mule-driven boat to the power boat.

Mr. Magee.— Yes; that is true. But some one more familiar with the canal than I am could give you more information as to that.

STATEMENT OF HON. WILLIAM T. BLAND, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MISSOURI.

Mr. Bland.— Mr. Chairman, it is my purpose to consume very little time of the committee. The question under consideration to-day presents numerous phases and it would be impossible to cover them in the short time remaining to the committee.

I simply wish to present a brief view of some of the main considerations which, to my mind, would seem to be controlling.

The war, with its consequent increased demand for transportation facilities, compelled the government to search for some medium of relief. Representative business men from all sections of the country appeared before the representatives of the Director of Railroads and urged that the Government equip the New York State Barge Canal and the Mississippi River with boats and barges as speedily as possible. The hearings consumed a considerable time and, after full investigation, the Government decided upon the policy then urged upon it by the business interests of the country. To that end the Government expended large sums of money for boats and barges. Ten million six hundred thousand dollars was appropriated or set aside for the purchase of suitable boats and barges for use upon the Mississippi River, and something like \$4,600,000 for like purposes on the Erie or New York State Barge Canal.

These two waterways constitute great commercial trade routes for transportation from the producing sections of the United States, and for this reason those sections are just as much interested in the continuance of the operation of the trade route via the Erie Canal as that via the Mississippi River—two outlets providing large transportation facilities not only for the Atlantic seaboard points but for export. This being true, the people of the great producing areas of the country have a direct interest in the Erie Canal as well as in the Mississippi River.

I believe, and I think it has been fully demonstrated by the handling of the transportation problems during the war, in transporting troops, supplies, munitions, etc., overseas that we have in charge of transportation a man who possesses genius for the work.

He has a wide comprehension of the responsibility resting upon him, has made a careful and analytical study of the proposition, and is fully determined, so far as his efforts can contribute, to make a success of transportation by the use of boats and barges in operations over the inland waterways, and he is now applying himself devotedly to the work.

Mr. Sims.— You are referring to whom ?

Mr. Bland.— I am referring to Gen. Frank T. Hines, who has been placed in charge of operations by the Secretary of War.

That the Government is interested in added transportation, there can be no question. The only quick immediate development that we may expect other than rail transportation is by and through the use of the great inland waterways of the country for the transfer of production over any considerable distance.

The resolution, which passed the Senate, and which is under consideration to-day, provides that at the end of 30 days following its passage the Secretary of War and all other agencies of the United States shall cease to operate for commercial purposes boats and barges and other transportation facilities upon the New York State Barge Canal, and shall within said 30 days, or as soon thereafter as practicable, make disposition by sale of all such transportation facilities, giving preferential opportunity to a certain class of purchasers, and further provides for compulsory arbitration as to sale price. My judgment is this legislation would not only compel a sale at a serious sacrifice and loss to the Government, but would, so far as relates to one of the great trade routes of which I have spoken, work serious and irreparable injury to the success of the undertaking, which is so important to the entire country.

It is true that to-day, in argument, a change of front was presented to the committee, providing for either a sale or a lease. Since the Government has placed in the hands of one of its most competent representatives the important work of developing inland waterway transportation — in the hands of a man whose every thought and whose heart and soul is absorbed in the undertaking, who realizes the hard and efficient work that is necessary

to make the undertaking a success, and possesses the determination to win such a result, it would certainly seem, after the large expenditure of money and the flattering prospects which promise successful results that the work should not be interfered with or destroyed. It is, as I have said, just as important to the country to make the undertaking a success upon the Erie Canal as upon the Mississippi River, and considering the matter as a business proposition, where you can have a thorough organization carried on an intelligent and scientific basis, under the most advantageous conditions, so far as operations are concerned, with the prospects of success better than if placed in the hands of individuals or separate small corporations who would follow spasmodic or individual lines of effort, the Government would possess and does possess greater capacity, power, and resources to conduct the undertaking in all its relations.

Something has been said to-day as to whether the Government should continue its ownership or make transfer to private individuals. To my mind it is not now a question whether the Government shall continue for all time its ownership and operation or whether it will at some future time make transfer to private interests. That is not, at this moment, the important problem to consider, but the question to be determined is the one of successfully providing added means of transportation to meet the immediate and proximate demands of the commerce of this country. As an example, to demonstrate that the necessity is a pressing one, let me direct the attention of the committee to the following situation: I hold in my hands a telegram from the Chamber of Commerce of Kansas City, under date of May 18. It states that, not including flouring mills — and there are many mills in Kansas City — there is \$27,000,000 worth of wheat at that point awaiting shipment; on farms and in country elevators and mills in Kansas, \$97,000,000 worth; in Oklahoma, \$26,000,000 worth; in Missouri, \$7,500,000 worth. The total is \$155,000,000 worth, held up for lack of cars. This valuation is predicated on figures 20 cents below to-day's market price. And the wire concludes, "We need cars to move wheat out of Kansas City and cars in the country to move wheat to market." That is indeed a deplorable situation, and room must be made for the new crop, which will soon come in.

The people in this country and throughout the world sadly need this production, and we do not possess the means of transportation to make delivery. This condition exists throughout the greater Mississippi Valley, that great area of our country upon which this Nation depends for its food production and which in large measure contributes to the feeding of the world.

If there was ever a critical time, so far as transportation problems are concerned, it is now. If there was ever a psychological moment and favorable opportunity to add water-borne transportation to rail transportation, it is now. In no sense do I mean that it is to displace rail transportation. Water-borne traffic is a part and parcel of our larger problem of transportation, just as Mr. Brent has today said to the committee, and it seems to me that it is for this committee to determine and follow a policy which will best serve the public interest, not of New York State but of the country as a whole. Yes; it is even a world problem. If it be true, and I believe it is, that transportation over the Erie Canal and over the Mississippi River can be more scientifically and successfully developed in the hands of the Government with the vast power it possesses to secure coordination between the rail and water lines, physical connection at terminals, and joint rail and water rates with through bill of lading, then it is our duty to follow the line of action which will best afford relief and create permanent, stable, dependable water-borne transportation in addition to that by rail.

I believe that now is the time to make or destroy the undertaking upon which the Government has embarked. If the operation of boats and barges over the inland waterways is not now proven to be a success, the undertaking will be set back for 50 years. If the Government now turns its back upon one of these great trade routes, it will militate seriously against the sentiment and support behind the other great trade route. Both are necessary to the success of the undertaking, and it is my earnest hope that after the vast expenditure of money by the Government that since the undertaking is just now getting under full headway,

and promises the greatest success, nothing will be done by the National Congress to interfere with or to destroy the solution of a problem in which the entire Nation is so deeply and vitally interested; but that, on the contrary, all assistance, all support, and all necessary funds will be liberally provided to the end that the problem may be finally determined and settled. Gen. Hines has expressed to the committee his full confidence that he will be able to carry the undertaking to a successful conclusion, and I hope that he may be given the opportunity.

After the Government shall have demonstrated that the operation of the boats and barges upon these great inland water routes is successful, and as a business investment, profitable, it would invite the investment of private capital, and transfer or sale could be made at a full and fair price, or the Government could decide to continue its operation. This question, however, as I have said, is one for future consideration and determination, and neither requires argument nor decision at this time.

I thank the committee and will not consume its further time.

STATEMENT OF HON. RILEY J. WILSON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF LOUISIANA.

Mr. Wilson.—Mr. Chairman, my interest in this is that I represent a district that runs for something over 300 miles along the Mississippi River; and I know something of the struggle to establish water transportation, and the inconvenience to the people along the Mississippi River resulting from the want of river transportation. Further, we know that in this section is the Ouachita River, which is a canalized stream, upon which the Government has spent some \$7,000,000 in building locks similar to those on the Warrior River; and it is the purpose, as I understand it, of the Government operation of those waterways to extend this service up the Ouachita River and serve those interests on that waterway, especially the manufacturers of lumber and those in other industries who can not get service now. And we know that the barges that were built for the New York Barge Canal will be adaptable to that service.

There is not any disposition, I am sure, on the part of those people who represent the Mississippi Valley and the Mississippi

River to interfere in any way with the operation of the New York Barge Canal. They are entirely in sympathy with the desire of the people who built that canal and who operate it to get it back under private control, if that is to the best interests of New York and to the best interest of the people who have been taxed to build that canal.

But what we do want to call the attention of the committee to is the fact that this Government property, which has cost close to \$5,000,000, and which is adaptable to be used elsewhere, should not be sacrificed either to the interests of New York or to any other interest.

Mr. Dempsey, of New York, and some of the other gentlemen have stated to the committee that there is not any purpose or any object on the part of any of those interested to cause the Government to sacrifice this property; that they would like to lease it, or they would like to buy it; and I am sure that they made that statement in perfect good faith. But this committee has before it a resolution which, after due consideration and hearing, passed the United States Senate.

I wish to call the attention of the committee to that portion of the resolution to which we very seriously object, which provides, within 30 days, for the sale of these barges, and absolutely limits the bidding to persons who are going to operate them on that canal; it provides for the sale of those barges without any appraisement whatever, and absolutely makes it impossible for any man to say whether or not they will be sold to the highest bidder. I will just call the attention of the committee to that sentence in the resolution:

The Secretary of War shall within said thirty days, or as soon thereafter as practicable, dispose of all boats, barges, tugs, and other transportation facilities purchased or constructed for use upon the said canal, giving to proposed purchasers who intend to use the same upon the said canal the first opportunity to buy —

It does not say who may have the second opportunity.

And, pending final disposition, the Secretary of War may lease the same for such use.

That is, he may lease it to proposed purchasers for use upon that canal. Then it goes on:

If the Secretary of War and any such proposed purchaser are unable to agree with respect to price and the proposed purchaser is willing to fix a price by arbitration, the Secretary of War shall select one arbitrator, the proposed purchaser one arbitrator, and the two thus chosen shall select a third.

And the award of this arbitration board is final and binding upon the Secretary of War.

Now, gentlemen, it is at the option of this proposed purchaser, who is going to use those barges, to come to the Secretary of War and say, "I am not satisfied with the bid situation; and I demand that this matter be arbitrated." The Secretary of War has absolutely no discretion in the matter; he must accede to their demands, regardless of whether the bid is 25 per cent or 50 per cent of the value of these barges. And when that arbitration is over the Secretary of War must accept that award.

In answer to the question of the gentleman from Pennsylvania, Mr. Dewalt, day before yesterday, Senator Hill, of New York, admitted that he could not say, under that language, whether the barges might not be sold for the lowest bid. I submit that there is nothing in that language which would make it obligatory for them to be sold at the highest bid. So I want to call the attention of the committee to that feature of the resolution and ask their careful consideration of it.

And I say that if these barges are to be disposed of, and if they have to be sold at a sacrifice under that language, the effect upon this country and upon Congress of seeing that vast expenditure of the Government sacrificed would be such as to absolutely destroy the hope we have of the efficiency of the Government to establish water transportation in this country. You know what the effect would be.

Here is this Government property that the Government has paid for sold at a sacrifice. What could we hope for on the Mississippi River, the Warrior River, and the Oachita River after that?

Therefore, I think it is important for this committee to see that if the property is sold, it is sold so as to bring every dollar that is invested in it, or if that can not be done, that it be leased. Lease it to be operated upon that barge canal for the remainder of this season; and if you think proper, sell the equipment to those people in New York, if they will pay what it cost; but rather than

let this equipment go at a sacrifice, as might be done under this resolution, it should be transferred to those waterways in the Mississippi Valley, or else sold to anybody who will pay a fair price for it, and that gives the people in that section a chance to bid on it.

STATEMENT SUBMITTED BY HON. E. S. WALSH, SUPERINTENDENT
OF PUBLIC WORKS OF THE STATE OF NEW YORK, ALBANY,
N. Y.

To the House Committee on Foreign and Interstate Commerce
In the matter of H. R. 10453.

Representation was made by a gentleman speaking in behalf of the shipping interests of St. Louis, Mo., at the hearing held by your committee Saturday, May 22, that favorable action by your committee on the measure before it would prejudice the development of the foreign trade of the city of St. Louis and retard the rehabilitation of commerce on the Mississippi River.

Such allegation is absurd. The continuance or discontinuance of the activities of the Federal Government on the New York canals and the disposal of the Government barges to private interests for operation on the waterways of New York State affect the interests of the city of St. Louis not at all. Not having had the utilization of the barges in question heretofore, the shippers of St. Louis or any other municipality on the Mississippi or Warrior Rivers suffer no hardship whatsoever by their retention on New York waters. It would be the same as to say the continued operation of the barges on the barge canal by the Federal Government is harmful to the communities of the Mississippi Valley, but this is not claimed by the gentlemen from that section. Their argument is therefore inconsistent, in that they do not oppose Government operation on New York waters, but are unwilling the barges shall remain in New York under private control. I contend that what the Mississippi Valley and St. Louis have never possessed, they can not lose, and, consequently, the argument of the gentleman from St. Louis is void of logic and force.

The representative of the Secretary of War, in submitting the views of the Secretary of War to your committee, stated that the

Government had already made contracts of carriage extending throughout the season of navigation, which contracts would be nullified if Government operation were to cease under the provisions of the measure under consideration. The representative of the Secretary of War also stated that no organization had been perfected or was ready and waiting to take over the operation of the Government barges, so that pending the formation of such an organization, there must intervene a period during which the barges would be idle and such idleness would be calamitous at this critical period.

I have assurance that within the 30-day period stipulated in the measure, there will be formed an operating organization that will assume the handling of the fleet without a day's interruption of service. This, responsible parties have guaranteed, and I am willing to accept a condition that, if such an organization be not formed within the 30-day period after the passage of the resolution, then the Government may withdraw the barges to other water. I furthermore will guarantee that any and all reasonable contracts in effect at the time the resolution becomes effective, will be fulfilled by the operating organization taking over the barges. Thus it should be clear that there will result no interruption of service nor violation of contract by the favorable action of your committee on the resolution.

The representative of the Secretary of War stated that primarily the Secretary of War was desirous of continuing the operation of Government barges on the New York canals for experimental purposes. The State of New York looks upon any experiment with its \$154,000,000 waterway system with extreme disfavor. Such a splendid transportation instrumentality should not be made a plaything. For over a century, inland waterway transportation in New York State has been a reality. Nowhere else in the country has such success been achieved. Experiments may be needful elsewhere. Perhaps by no other means may water-borne commerce on the Mississippi or Warrior Rivers become permanently established; but it is a waste of public funds and destructive to the commerce of the entire North Atlantic seaboard to pursue experiments on the New York canals, when neither experiments or experience is needed. What is required is

a sane, sound, dependable transportation organization operating for and in the interests of the general public, that will endure and furnish shippers with a character of water transportation service meeting their requirements. I respectfully request your committee to dismiss the experimental feature advocated by the representatives of the Secretary of War, in your consideration of the question before you.

One of the gentlemen from your committee expressed himself as being in sympathy with the purpose of the resolution, but opposed to any action of Congress that would serve to transfer the Government barges to special interests. If, in the judgment of your committee, the Federal Government should discontinue its operations on the New York canals and the Government barges should be turned over to private parties for operation, I wish to assure you that there are no special interests involved in the project. The operating organization that may be formed to take over the fleet will comprise the merchants, manufacturers, and public-spirited citizens of every city, town, and village on the line of the canal from the Hudson River to Lake Erie. It is they that assumed the terrific burden of constructing this splendid waterway; it is they that pay for its maintenance — some \$5,000,000 annually; it is this class that suffered irreparable damage at a time of greatest transportation stress, while Government operation during 1918 and 1919 was making a tragedy of the New York canals; and it is this class, representing nearly 10 per cent of the total population of the Nation and contributing nearly 40 per cent of the funds raised by the Federal Government in taxation, that will benefit by the operation of these barges under private control. I guarantee the good faith of New York State in this matter, and as evidence of this good faith and our sincerity of purpose I am willing that supervisory powers be exercised by the Secretary of War over the barges if and when acquired by private parties, to the end that there will result no abuses or discrimination from their retention on the New York waterways.

Possibly your committee is averse to the Government relinquishing title to this property. In all justice and fairness, however, and in consideration of the transportation requirements of the section of the country the New York canals traverse and connect,

you can not be averse to the discontinuance of Federal operations on those waterways nor the retention of the Government fleet thereon. If you do not wish to relinquish title to this fleet I offer the suggestion that the measure you are considering be amended so as to permit of the leasing of these barges to parties who will operate them on the New York canals, such lease to run for a stipulated period. And I further suggest that the period of the lease be equivalent to the time that the Government operated on the canals, namely, two years. Under such an arrangement the New York canals will be given the opportunity to function in the manner originally intended, the people of the State of New York will be given the opportunity of utilizing their waterways without let or hindrance, and the difficult task of restoring commerce and of building up a substantial and permanent scheme of transportation may be successfully undertaken by the State administration. So that at the expiration of the two-year period suggested the Government fleet may be no longer required and other means may then be devised for its permanent disposition.

(Thereupon, at 1:10 o'clock P. M., the committee adjourned.)

RESOLUTIONS ADOPTED BY THE MARITIME ASSOCIATION OF THE PORT OF NEW YORK.

MARITIME EXCHANGE,

NEW YORK CITY, April 7, 1920.

Whereas the act of Congress effective on March 1 last and terminating Federal control of the railroads of the country did not restore the canals of New York State to the operating basis prevailing prior to the war, inasmuch as the above act authorizes and directs the Secretary of War to continue the activities of the Government in our inland waterways, indicating that the Federal Government will operate barges on the New York State canals in direct competition with citizens of New York State, and

Whereas the emergency that invited Government operation on these waterways no longer exists, and its continuation will be most detrimental to the successful development of the canals by private interests, on whose energy and initiative the future of the canals as important factors in our carrying trade must depend; Therefore, be it

Resolved, That the Maritime Association of the Port of New York respectfully urges the favorable consideration by the Senate Committee on Interstate Commerce of the resolution introduced by Senator Wadsworth providing that the railroad bill, as far as its provisions affect our inland waters, shall not apply to the canals of New York; Be it further

Resolved, That in recommending the withdrawal of the Government from competition with private interests on our canals, we strongly urge that as a partial compensation for the use of its canals during the war, the Government

turn over to the State all equipment purchased or constructed for service on the canals, in order that the same may be available for use by private interests through purchase or charter; And be it further

Resolved, That copies of these resolutions be transmitted to Senator Wadsworth and the members of the Committee on Interstate Commerce,

RAFAEL RIOS,
President.

Attest:

WALTER F. FIRTH,
Secretary.

LETTER SUBMITTED BY THE CHAMBER OF COMMERCE OF THE BOROUGH OF QUEENS.

NEW YORK, May 17, 1920.

Hon. JOHN J. ESCH,

*Chairman Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.*

DEAR SIR.— We respectfully urge the adoption of the resolution introduced by Senator Wadsworth exempting the New York State Barge Canal from section 201 of H. R. 10453.

We are opposed to the continuance of Federal control of the canal system of New York State, which has been built and equipped with the funds of the residents of the State and should, therefore, be returned to the State for its control and operation.

Respectfully yours,

WALTER I. WILLIS,
Secretary.

LETTER SUBMITTED BY THE NEW YORK BOAT OWNER'S ASSOCIATION (INC.).

NEW YORK CITY, May 18, 1920.

Hon. JOHN J. ESCH,

*Chairman Committee on Interstate and Foreign Commerce,
House Office Building, Washington, D. C.*

DEAR SIR.— The New York Boat Owner's Association (Inc.), representing a majority of the operators of floating equipment in New York Harbor and adjacent waters, including the New York State Barge Canal system, respectfully advocate the passage of the joint resolution (S. J. Res. 161, Calendar No. 514) "to exempt the New York State Barge Canal from the provisions of section 201 of H. R. 10453."

This association will be very glad to send representatives to appear before your committee if you consider it necessary.

Very truly yours,

NEW YORK BOAT OWNER'S ASSOCIATION (INC.),

ERNEST SPAVEY,
Secretary.

LETTER SUBMITTED BY HON. NORMAN J. GOULD.

HOUSE OF REPRESENTATIVES.

COMMITTEE ON THE LIBRARY,

WASHINGTON, D. C., May 18, 1920.

Hon. JOHN J. ESCH,

Committee on Interstate and Foreign Commerce,

House of Representatives.

MY DEAR COLLEAGUE.—With reference to S. J. Res. 181, "to exempt the New York State Barge Canal from the provisions of section 201 of H. R. 10453," recently passed by the Senate, I desire to go on record as approving of this legislation, and sincerely hope that your committee will see its way clear to report same favorably to the House.

Yours very truly,

N. J. GOULD.

LETTER SUBMITTED BY MR. GEORGE CLINTON.

BUFFALO, N. Y., May 18, 1920.

Hon. JOHN J. ESCH,

Washington, D. C.

MY DEAR MR. ESCH.—I have just learned that there will be a hearing on the Wadsworth resolution exempting the canals from the provisions of the railroad bill. As the hearing is to be on the 20th instant, and I have to be in New York on that date it will be impossible for me to attend, and I therefore take the liberty of writing you. It is all important that the Government should not engage in transportation upon any of our waterways, and particularly upon the Erie canal. The direct result is to discourage private enterprise, on which successful utilization of our waterways must depend. Government control of commerce on the Erie canal is directly responsible for the present condition of business thereon. Private individuals and corporations have been willing and anxious to construct the needed boats to take care of the through-grain commerce from the West, but they have been deterred because they feel that so long as the Government owns and operates boats on that waterway they will be unable to compete. If the Government ceases to operate boats there are several private corporations which stand ready to purchase the Government barges and to construct other boats with which to enter upon commerce, but this they will not do so long as the Secretary of War is operating boats under the recent railroad act. The interests of the West, as well as New York State, require that the Erie Canal should be operated to its fullest capacity and as cheaply as possible, and this can not be accomplished while the Government is engaged in operation of boats on that waterway.

I sincerely hope that your committee will approve the Wadsworth resolution.

Of course, the St. Lawrence canal is on the carpet. I do not believe it is economically feasible, but if it is and its construction is entered upon, it will be a long time before its completion, and in the meantime the interests of the great West certainly require cheap, speedy and reliable transportation on the Great Lakes, the Erie canal and the Hudson river to the sea.

Yours very truly,

GEORGE CLINTON.

LETTER SUBMITTED BY THE LIGHTERAGE ASSOCIATION OF THE PORT OF NEW YORK.

NEW YORK, May 18, 1920.

Hon. JOHN J. ESCH,

Chairman Committee on Interstate and Foreign Commerce,

House Office Building, Washington, D. C.

DEAR SIR.—The lighterage association of the port of New York respectfully urges the passage of S. J. Res. 161 (report No. 567, Calendar No. 514), a joint resolution "to exempt the New York State Barge Canal from the provisions of section 201 of H. R. 10453," the emergency requiring Federal operation of the New York State Barge canal having terminated.

Very truly yours,

LIGHTERAGE ASSOCIATION OF THE PORT OF NEW YORK,

ERNEST STAVEY,

Secretary.

LETTER SUBMITTED BY THE CHAMBER OF COMMERCE OF THE STATE OF NEW YORK.

NEW YORK, May 19, 1920.

Hon. JOHN J. ESCH,

Chairman Interstate and Foreign Commerce Committee,

House of Representatives.

MY DEAR SIR.—I am informed that there is to be a hearing on the legislation introduced by Senator Wadsworth to have the Government relinquish control of the barge canal in the State of New York and to dispose of the equipment on the canal now owned by the Government.

Action in favor of this proposition was taken by the New York Chamber of Commerce at its regular monthly meeting held April 1. A copy of our action is inclosed herein. This chamber was represented by a delegation at the hearing held in Washington several weeks ago on the Wadsworth resolution.

I am now writing on behalf of our committee to urge that the House of Representatives also take action supporting the Wadsworth bill.

Respectfully yours,

CHARLES T. GWYNNE,

Secretary.

WITHDRAWAL OF FEDERAL GOVERNMENT FROM BARGE CANAL AFFAIRS FAVORED.

CHAMBER OF COMMERCE, STATE OF NEW YORK,

NEW YORK, April 2, 1920.

To the Chamber of Commerce:

Your committee on internal trade and improvements last year brought in a report which was adopted by the chamber and which opposed placing the New York Barge canal under the authority of the Interstate Commerce Commis-

sion, and by implication objected to Government interference with our State canal system.

Your committee now finds that the act of Congress of March 1, which restored the railways to their private owners, did not restore the New York canals to a similar position. On the contrary, the act authorizes and directs the Secretary of War to continue the Government's waterway activities. The result is that the United States Government is expected to continue the operation of barges on the New York canals in direct competition with private undertakings. The attitude of the United States Government is that the corpus of the canal has never been taken under the control of the United States; therefore, there has been nothing to return by legislation or otherwise. However, the operation of Government lines on the canal, in the opinion of your committee, is a serious interference with private enterprise.

Private citizens are not inclined to establish barge lines in competition with the Government. As the State of New York has but limited authority over Federal affairs there is no guaranty that private operators will be able to compete on an equal and fair basis.

Our State canal system is in a different position from other inland waterways, for it has been constructed at the sole expense of the State of New York at a cost now amounting to over \$156,000,000. It is a State enterprise pure and simple and has not received Federal aid.

The Government during the war took over on a charter basis certain vessels which were then being operated on the canal. The Government operated these vessels and added thereto additional tonnage costing about \$5,000,000, which was constructed or bought by the Government. The chartered tonnage has been returned to the private owners and the Government proposes to continue operation of its own tonnage as a business enterprise.

This chamber has voted against Government ownership as a general proposition, and this committee is opposed to the United States Government engaging in the transportation business on the Barge canal, not alone upon the grounds which make Government ownership or operation undesirable, but also because the successful development of commerce and of private carriers on our canal system demands a water route free from Government interference.

The State canal board recently adopted resolutions protesting against and urging a discontinuance of Government canal operation. The board, furthermore, took the position that the Government, in recompense to the State for its use of the canals during the war, should turn over to the State all equipment purchased or constructed by the Government for service on the canal, this equipment when acquired to be sold or chartered to private interests for operation.

A resolution has been introduced in the United States Senate which is amendatory to the railroad bill, stipulating that the provisions of the railroad bill applicable to inland waterways shall not apply to the canals of New York. It is the understanding that hearings are soon to be held on this measure.

The following resolutions are therefore offered:

Resolved, That the Chamber of Commerce of the State of New York opposes the operation by the United States Government of barge lines on the canals of the State of New York, and favors legislation if necessary to prevent such operation; And be it further

Resolved, That the committee on internal trade and improvements be authorized to send delegates to hearings upon any legislation proposed to accomplish this end.

Respectfully submitted,

DELOS W. COORE, *Chairman.*
 JEREMIAH W. JONES,
 ELIHU C. CHURCH,
 FRANCIS H. SIBSON,
 WILLIAM MCCABRELL,
 BURNS D. CALDWELL,
 UNION N. BETHEL,

Committee on Internal Trade and Improvements.

ALFRED E. MARLING,

President.

Attest:

CHARLES T. GWINNE,

Secretary.

LETTERS SUBMITTED BY THE NEW YORK BOARD OF TRADE AND TRANSPORTATION.

NEW YORK, May 28, 1920.

Hon. JOHN J. ESCH,

Chairman Committee on Interstate and Foreign Commerce,

House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN:—The undersigned attended the hearing of your committee on May 21 in behalf of Senate joint resolution No. 161, but being unable to remain for the further hearing on Saturday, takes advantage of your courtesy to send the following statement for your record.

I speak as the president of the New York Board of Trade and Transportation and as the chairman of the New York State Barge Canal Conference.

I wish to have you dismiss from your mind the impression that the State of New York, for its local benefit, desires to obtain possession of the barges which have been constructed by the United States at Government expense, some of which were operated upon the New York canals during the season of 1919. No such thought was even mentioned at the canal conference at Albany on February 16, last, when the objections to the operation of barges by the United States Government were discussed. Nor was any desire expressed that these barges should be kept upon our canals by any other means. The sole idea in the minds of the members of the conference, so far as expressed, was to rid our canal commerce of what was termed "the damnable influence of governmental operation."

The canal transportation interests oppose Government competition, because it would not be controlled by natural and business conditions at any time, under either United States Government or State control. That is to say, the operation of such barges by Government would not be subject to the

natural laws of trade, of supply and demand, but would be under statutory or bureaucratic control; the former arbitrary and inelastic, and the latter dictated by partisan political considerations.

The merchants and shippers desire to have the canal operated, and wish to see it thoroughly equipped with such number of barges as will make it an effective factor in transportation. In 1917 the merchants welcomed and for a short time believed that by the operation of boats by the Government the value of the canal would be soonest demonstrated. They thought that a demonstration of the utility of the canal would stimulate private enterprise. In this they were mistaken for the precise opposite resulted. The consequence has been that both the merchants and the intending investors upon the canals are convinced that Government operation of boats has been and will continue to be a deterrent to the embarkation of private capital upon which the canal has always depended and must continue to depend.

The entire Government fleet, I am informed, would consist of but 92 boats, only a small part of what are needed to do the business of the canal and just enough to keep off independent operators. It is estimated that at least 2,000 such boats would be needed.

The purpose in view in the operation of these barges upon the New York canals is in line with the policy of Congress to encourage and develop transportation by water, but even if Congress should be willing to put 2,000 boats upon our New York canals, instead of 92, New York would not give her consent, thereof, because, under the Government, they would never be operated to the same advantage as under private ownership and private competition.

If, however, in the wisdom of Congress these barges should remain upon the New York canals, because they are fitted in all respects to the conditions there and would not be economical carriers on other waters, would it not best serve the purpose in view to sell them to the highest bidder, who will operate them on the New York state canals?

Respectfully yours,

LEE KOHNS,

President.

TELEGRAMS SUBMITTED REGARDING SENATE JOINT RESOLUTION 161.

NEW YORK, May 17, 1920.

Hon. JOHN. J. ESCH,

Chairman Interstate and Foreign Commerce,

House Building, Washington, D. C.:

We strongly disapprove of Government operation of the New York State Barge Canal and urge favorable action on Wadsworth resolution by your committee. We believe present chaotic condition of rail transportation to be directly chargeable to inefficiency of present Government administration. The Republican Party can render no better service to local and national shippers at this time than by restoring the New York canals to their prewar status.

E. M. DAVIS CHEMICAL CORPORATION.

NEW JERSEY BRASS CORPORATION.

PYRO NONPAINT CO. (INC.).

LOWERATOR CO. (INC.).

ANGLE MANUFACTURING CO.

TEBY, N. Y., May 18, 1920.

JOHN J. ESCH,

Chairman House Interstate Commerce Committee,

Washington, D. C.:

Strongly disapprove operation of barges on New York State canals by Federal Government in competition with citizens of State of New York. Trust House will pass bill excluding canals from provisions of railroad bill.

G. W. LEMON,

Managing Secretary Troy Chamber of Commerce.

AMSTERDAM, N. Y., May 19, 1920.

Congressman ESCH,

Washington, D. C.:

Our organization desires discontinuance of Government barge operation on New York State waterways.

AMSTERDAM (N. Y.) BOARD OF TRADE.

FULTON, N. Y., May 19, 1920.

Hon. JOHN J. ESCH,

Chairman Committee on Interstate Commerce,

House of Representatives, Washington, D. C.:

As manufacturers of pulp and paper we are consumers and shippers of large tonnages carried by canal, we wish to register our disapproval of the continuance of any Federal control of the New York state Barge Canal and our approval of the Wadsworth resolution now being considered by your committee.

ARROWHEAD MILLS (INC.).

F. A. EMERICK, *President.*

OSWEGO, N. Y., May 19, 1920.

Hon. JOHN J. ESCH,

Chairman Committee on Interstate Commerce,

House of Representatives, Washington, D. C.:

Regret inability to attend hearing on Wadsworth resolution to-morrow. I desire, however, to express hope for its favorable consideration by your committee. We believe the use of our Barge Canal is being curtailed by Federal control, as private capital can not be interested in the necessary boats until it shall have been definitely decided that Federal control is ended.

SECOND NATIONAL BANK.

By F. P. SHEPPARD.

LOCKPORT, N. Y., May 19, 1920.

JOHN J. ESCH,

House of Representatives, Washington, D. C.:

Strenuously protest further Government operation upon New York State Barge Canal. Urge passage of bill stopping operations.

LOCKPORT BOARD OF COMMERCE.

OSWEGO, N. Y., May 19, 1920.

Hon. J. J. ESCH,

Chairman Committee on Interstate Commerce,

House of Representatives, Washington, D. C.:

Oswego Chamber of Commerce disapproves operation of Government barges on New York State canals in competition with private interests. Urge your committee to consider favorably Wadsworth bill passed by Senate, excluding our canals from provisions of railroad act.

CHAS. W. LINDLEY, *President.*

FULTON, N. Y., May 19, 1920.

Chairman ESCH,

House Committee Interstate Commerce, Washington, D. C.:

As shippers interested in State development of waterways, we earnestly urge elimination of Government control of New York State Barge Canal.

SEALRIGHT CO. (INC.).

ALBANY, N. Y., May 19, 1920.

Chairman ESCH,

House Committee on Interstate Commerce,

House of Representatives, Washington, D. C.:

The Albany Chamber of Commerce desires to express its unqualified disapproval of the operation of barges on the New York State canals by Federal Government in competition with the citizens of the State of New York.

ALBANY CHAMBER OF COMMERCE.

ROME, N. Y., May 19, 1920.

Chairman ESCH,

House of Representatives, Washington, D. C.:

Rome Chamber of Commerce wants to go on record as absolutely opposing operation of barges on New York State canals by Federal Government. We unqualifiedly disapprove Federal Government operation and trust your committee will recommend discontinuance of such operation.

ROME CHAMBER OF COMMERCE.

ROCHESTER, N. Y., May 19, 1920.

Chairman ESCH,

House Committee on Interstate Commerce,

House of Representatives, Washington, D. C.:

This chamber strongly urges discontinuance of Government Barge Canal operation in New York State Barge Canal and recommends immediate disposal of the Government barge fleet.

ROCHESTER CHAMBER OF COMMERCE.

UTICA, N. Y., May 19, 1920.

JOHN J. ESCH,

Chairman Committee on Interstate and Foreign Commerce,

House of Representatives, Washington, D. C.:

Respectfully urge favorable action on proposed legislation to remove New York State Barge Canal system from Federal control and operation.

UTICA CHAMBER OF COMMERCE.

FULTON, N. Y., May 19, 1920.

Chairman ESCH,

House Committee Interstate Commerce, Washington, D. C.:

Fulton Chamber of Commerce, representing 250 manufacturers and business men, vigorously disapproves operation of barges on New York State canals by Federal Government and desires passage in the House of the Wadsworth resolution, recently passed by the Senate, excluding New York canals from provisions of railroad bill and compelling discontinuance of Government barge operation on New York State waterways.

FULTON CHAMBER OF COMMERCE.

J. E. LANIGAN, *Secretary.*

SCHENECTADY, N. Y., May 19, 1920.

Hon. JOHN J. ESCH,

Chairman House Committee on Interstate Commerce,

Washington, D. C.:

We strongly disapprove of the operation of barges on the New York State canals by the Federal Government in competition with the citizens of the State of New York.

SCHENECTADY BOARD OF TRADE,

ELLSWORTH H. COHEN, *President.*

SYRACUSE, N. Y., May 19, 1920.

J. J. ESCH,

Chairman Interstate Commerce Committee, Washington, D. C.:

We understand Wadsworth resolution unanimously passed the Senate excluding the New York canals from the provisions of the railroad bill, and

came before the House Committee on Interstate Commerce Thursday. Recent railroad strike tying up shipments here and present time transportation difficulties clearly indicate the necessity of returning the State canal system to State control to be utilized to its fullest extent and free from connection with the railroads. Syracuse Chamber of Commerce earnestly asks your support of this measure.

FREDERICK E. NORTON, *Secretary.*

NIAGARA FALLS, N. Y., May 20, 1920.

Hon. JOHN J. ESCH,

Chairman Committee on Interstate Commerce,

House of Representatives, Washington, D. C.:

This organization indorses Wadsworth resolution re barge canal operation.

NIAGARA FALLS CHAMBER OF COMMERCE.

POUGHKEEPSIE, N. Y., May 20, 1920.

Chairman ESCH,

Washington, D. C.:

This organization strongly disapproves operation of barges on New York State canal by Federal Government in competition with citizens of State. Operation of railroads by Government sufficient experience in transportation matters for some time to come.

POUGHKEEPSIE CHAMBER OF COMMERCE.

FULTON, N. Y., May 22, 1920.

Chairman ESCH,

House Committee, Washington, D. C.:

As shippers interested in State development of water, may we earnestly urge elimination of Government control of New York State Barge Canal.

OSWEGO FALLS PULP & PAPER CO.

NEW ORLEANS, LA., May 25, 1920.

Hon. JOHN J. ESCH,

Chairman, Committee on Interstate and Foreign Commerce,

Washington, D. C.:

New Orleans Association of Commerce records with you its position on Wadsworth bill in following resolution:

"Whereas the Hon. Senator Wadsworth, of New York, has introduced a joint-resolution in the Senate of the United States which provides for the discontinuance of the transportation barge equipment of the Federal Govern-

ment on the New York Barge Canal and the disposal by sale or otherwise of this equipment built by the Federal Government for this service; Be it

"Resolved, That we point out to Congress that the movable equipment built by the Federal Government for this service belongs as a whole to the citizens of the United States, and that this meeting emphatically objects to the move on the part of citizens of the State of New York that this property be turned over to the State of New York as payment for Federal use of the State's canal during the period of the war, and further objects to the sale, lease, or charter of this equipment on any grounds whatsoever to any private citizens, corporation, or company. The attention of Congress is respectfully called to the serious congestive state of transportation lines in this country and the resultant shortage of equipment, and it is therefore urged that in case Congress deems it advisable to direct the Secretary of War to discontinue the service on the New York State Barge Canal, he will be empowered to dispose of the Federal property now being used in that service by a reassignment of this equipment to the section where the national waterways are ready and the communities cooperating for the establishment of the increased Federal barge service."

NEW ORLEANS ASSOCIATION OF COMMERCE.

UNIVERSITY OF MICHIGAN



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